

JPRS 83808

1 July 1983

China Report

RED FLAG

No. 8, 16 April 1983



FOREIGN BROADCAST INFORMATION SERVICE

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CHINA REPORT

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Translation of the semimonthly theoretical journal of the Central Committee of the Communist Party of China published in Beijing.

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ATTENTION TO KNOWLEDGE MUST GO HAND IN HAND WITH ATTENTION TO EDUCATION

Beijing RED FLAG in Chinese No 8, 16 Apr 83 pp 2-5

[Article by Qian Jiaju [0578 1367 7467]; passages within slantlines published in boldface]

[Text] In his report at the rally to mark the centenary of the death of Marx, Comrade Hu Yaobang pointed out: "Intellectuals represent an intellectual factor that is absolutely necessary in our socialist modernization efforts." Whether or not importance is being attached to intellectuals is "a key factor determining the success or failure of the construction effort." "We must foster the social practice of respecting knowledge and intellectuals and take practical measures to improve their work and living conditions. We must treat this as 'capital construction' and as 'the most fundamental of fundamental construction.'" Comrade Hu Yaobang's report is exceptionally correct. What he said is most welcome.

How is knowledge acquired? The main way is through education. How are intellectuals cultivated? The most important way is also through education and through planned training on a rotational basis. Despising knowledge and despising education are traceable to the same cause--"leftist" mistakes. Despising knowledge, of course, also means despising education. During the "Great Cultural Revolution," it was held that "the more knowledgeable a person is the more reactionary he is" and that "the more knowledge he has the more stupid a person is." Intellectuals were put in the "stinking ninth category." Therefore, many schools closed down. Any session held was aimed only at promoting class struggle. There was thus created a "fault," or a gap where the new generation of intellectuals was concerned. This painful lesson still remains fresh in our memories and must never be forgotten.

Since the 3d Plenary Session of the 11th CPC Central Committee, order has been brought out of chaos. "Leftist" mistakes have been rectified. We have begun to attach importance to knowledge and intellectuals and to education. Despite financial and economic difficulties still being experienced by China, there has not been a decrease but a steady increase in the funds for education. In his report at the 12th National CPC Congress, Comrade Hu Yaobang pointed out: "The popularization of education is an important prerequisite for building material civilization and spiritual civilization." He also listed education as an important strategic point in economic development. All these remarks are exceptionally correct and necessary.

But it should also be admitted that at present, our educational enterprise still falls far short of the needs of the modernization effort. It has still not received sufficient attention. From a long-term point of view, if this situation is not fundamentally changed, it will even have a hindering effect on our modernization effort and hamper our building of a high degree of socialist spiritual civilization and material civilization. At the National Scientific Conference in 1978, Comrade Deng Xiaoping said: The key to modernization is the modernization of science and technology. The training of scientific and technical personnel chiefly depends on education. During a certain period in the past, we took education only as a means of class struggle and not as a tool for the development of production. We took education as purely a consumer enterprise and did not pay attention to its positive role in production and construction. We saw only the need to gradually develop the educational enterprise on the basis of the development of production. We did not realize that only with the development of education can we basically stimulate the development of production. Comrade Deng Xiaoping's ideas on education being the foundation should be taken as our guiding ideology.

In promoting modernization, we must develop productive forces and raise labor productivity. Lenin said: "Labor productivity is, in the final analysis, the most important thing that ensures victory for the new social system. Capitalism has generated labor productivity never witnessed under the serf system. Capitalism can be thoroughly triumphed over and will surely be thoroughly triumphed over, because socialism can generate new and still higher labor productivity." He also said: "Communism means drawing on labor productivity generated by technically advanced, voluntary, conscious, and united workers and which is higher than that of capitalism." ("Selected Works of Lenin," Vol 4, p 16) Then where does advanced technology come from? Where does the collective spirit of working voluntarily and consciously come from? They can be had only through education. Therefore, Lenin said we must "do a long period of work educating the masses and raising their cultural level." ("Selected Works of Lenin," Vol 3, p 748) In the 30-plus years since the founding of the PRC, there have been gratifying achievements in advanced sciences, such as the manufacturing of nuclear missiles, the sending up of satellites, and so forth. But as far as the overall situation is concerned, nearly one-fourth of the people of the whole country are illiterate or semiliterate. Primary education has still not been popularized. The cultural level of the people is still not high. Social productivity and labor productivity still remains at quite low levels. Only by vigorously promoting education and energetically working on "the most fundamental kind of capital construction" and by showing respect for knowledge and intellectuals can we change the backward features of our country. This is common knowledge.

Many people have often cited the poverty of our state and its weak foundation as reasons for the poor development of our educational enterprise and the high rate of illiteracy and semiliteracy. This can hardly leave people convinced. Our allocation of funds for education accounts for an unusually low proportion of the state budget. Allocations for education in various countries of the world generally represent more than 15 percent of the

state budget and even 20 percent in some cases. Our allocation for education has traditionally accounted for only around 10 percent of the state budget. As far as the ratio of the national income to funds for education is concerned, allocations for education in various countries generally represent 5 to 6 percent of the national income and even as much as 7 percent in some cases. Our allocation for education accounts for less than 3 percent of national income. According to statistics of the UN Educational, Scientific and Cultural Group, in 1978, our country ranked 130th among 149 countries in order of size of allocation for education in proportion to GNP. This is far below the level in the First and Second Worlds. It is also very backward as far as the Third World is concerned. The unusually low budget for education in our country has inevitably produced an effect in the following fields:

1. Our country has so far not implemented compulsory education. Compulsory education is clearly prescribed in the new constitution but has not been put into practice. Compulsory education in various countries of the world means completely free education which is compulsory. Parents cannot use their inability to afford the tuition fees as an excuse not to send their children to school. Age limits for compulsory education vary from country to country--education is mostly from low to higher levels, such as from primary to secondary school education and gradually rising to still higher levels. At the moment, students in schools run either by the state or by local people in our country must pay tuition fees to get educated. Failure to carry out compulsory education is one fundamental reason there are large numbers of illiterates and semiliterate people in our country.

2. The quality of primary education is poor. Facilities for this level of education are unsatisfactory. Pay for teachers is bad. There are many teachers who do not measure up to the required standard. As far as educational facilities are concerned, the Ministry of Education has now set minimum requirements for the operation of a school: "All schools must have no dangerous buildings, all classes must have classrooms, and all students must have tables and chairs." But at the moment many rural primary schools still have not met such requirements. Many middle and primary school students even lack the most simple teaching equipment. As far as pay for teachers is concerned, primary school teachers in our country rank very low in both their pay and social position. So, no one is willing to be a primary school teacher. Unqualified teachers make up a very large proportion. According to estimates, primary school teachers who have not reached the level of graduating from secondary teachers' school and higher secondary school represent about half of the total. Given poor equipment for schools and the poor quality of teachers, the quality of teaching naturally suffers. Of primary school graduates, quite a large number have not really reached the expected cultural level. Many of them have not lifted themselves out of the state of illiteracy and semiliteracy and will likely become totally illiterate after a few years. According to the results of a census last year, the number of illiterates and semiliterate people above the age of 12 totaled 235,820,002. This is a shocking figure. Considering the fact that our country has still not reached the goal of sending all school age children to school and that quite a large number of primary school

graduates do not measure up to the required standard, the large percentage of illiterates and semiliterate people found in our census is not in the least strange.

Why should we for a long period of time have failed to put education in its proper place? Apart from the influence of "leftist" mistakes mentioned above, the main reason is that though we have recognized education as the foundation, we have in actual practice failed to treat it as such. In the eyes of many people, production is "a tough job" and education is "a soft job." If a factory suspends operations, there will be an immediate effect on the production of material wealth, profit payments to the higher authorities, tax income, workers' welfare, and so forth. The consequences can be easily seen. On the other hand, a school is a consumer unit. If we have more money, we can allocate more for it. If we are short of money, we can spend less on it. If we have no money, we can spend nothing on it. If a school is poorly equipped and its teachers are not qualified, the worst that can be expected is a poor quality of education, with a few more illiterates added to the list. This is something inconsequential. Some leadership cadres have also realized the importance of education, but they still regard the economy as the foundation and education as the superstructure. Only on the basis of economic development can there be gradual development of the educational enterprise. To them, education should be developed after economic development and not first. In fact, this is an outdated idea. They still do not understand that at a time of spectacular progress in modern science and technology, with science and technology widely applied to production, education plays an ever more important role in raising labor productivity. At this time, to improve the quality of labor, we must rely upon education. To bring the results of science and technology to production processes, we must also rely on education. Education is a potential source of productivity. Especially since the end of World War II, the spectacular development of science and technology, the training of scientific and technical personnel and an improvement in the quality of labor have produced a decisive effect on the development of the national economy. Therefore, enlightened people in many countries have put forth the new educational viewpoint of "talent development," or the development of "human capacity." The energetic development of "human capacity" is just as important as the development of other resources, and even more important. The development of "human capacity" must depend on the popularization of education and on its improvement. In some developed countries, the development of human capacity is also regarded as an investment. It is also a more effective investment than a sheer increase in materials and labor. It is likely to bring tremendous economic results.

The investment in education is of course different from investments in other fields. Unlike industrial production, education cannot produce immediate material wealth with money invested in it. That is realized through training and through providing an army of workers with relatively high scientific and cultural levels. In other words, the economic results of education are measured in terms of the improved quality of labor. On the other hand, it takes a relatively long time for education to show economic results. But such results, once achieved, help the improvement

of labor productivity more than a sheer increase in production equipment and in the amount of labor. Given an increase in labor productivity, social wealth can almost double. Based on indisputable facts, economists abroad who are students of economics related to education /prove that investment in education is an investment in production/. For example, in the 55 years from 1905 to 1960, Japan multiplied its investment in materials by nearly 6 times and increased its amount of labor by only 70 percent, while its national income showed an increase of nearly 900 percent. During this period, funds for education registered an increase of about 2,200 percent. The pace of postwar economic development in Japan was unprecedented in history. From 1960 to 1975, Japan's GNP rose 275 percent while there was an increase of only 18 percent in the amount of labor. Japan's "World Economic Service Center" once calculated that the role played by technology in the growth sector of Japan's production from 1951 to 1970 reached 55 to 63 percent. This was inseparable from Japan's attention to education and its large increase in investment in the intellectual field. After the war, on the basis of economic revival, funds for education in Japan rose to 10 times as much between the 1950's and 1970's. In 1971, the fund allocation accounted for 20.4 percent of the state budget, ranking first in the world that year (our fund allocation for education the same year accounting for only 4.5 percent). The rapid development of education of high quality in Japan gave a hefty boost to the development of productivity. The white paper on "Japan's Economic Development and Education," published by the Japanese and summing up their tremendous economic results, clearly pointed out that the rapid development of Japan's postwar economy "may be attributed to such artificial factors as knowledge and skills accumulated before the war. This represents exactly the accumulated results of education in the past several decades." It was specially pointed out in the white paper that "it should be fully recognized that the investment in education is an unusually important investment in production."

In "Das Kapital," Marx said, long ago: "To change the nature of ordinary people and to make them acquire skills and workmanship in a given field of labor and become developed and specialized workers, we must give them education or training. This calls for the expenditure of equivalents in commodities, to a greater or lesser extent. Funds for the education of workers vary with the degree of complexity of the work taken up by them." ("Collected Works of Marx and Engels," Vol 23, p 195) Education is popularized in modern capitalist state and there is a general improvement in the people's educational standard. If not prompted by their own interests, capitalists would not have invested substantially in education. The more modern the production processes and the more complicated the nature of work, the greater is the need to invest in education.

To solve the problem of too little being spent on education in our country, we must first publicize the viewpoint that /the investment in education is an investment in production/. We must oppose the viewpoint that sets the investment in education against the investment in production. (A reader wrote to me to say that at a certain provincial forum on educational problems, a leadership cadre raised a question: "If investment in education is

to be put first, then how should investment in production rank?") We must not separate modern construction from knowledge and intellectuals. The way to acquire knowledge and train intellectuals is through inculcating people with the idea of education. Touching on the revision of the state's financial budget, Lenin said: "What should be first reduced is not the outlay of the committee for educating the people, but expenses in other sectors, so that what is saved can be directed to the said committee as operation funds." He also said: "We must enable the whole state budget to first satisfy the needs of primary education for the citizens. We have still done too little in connection with such work and have done so little as to be ridiculous." ("Selected Works of Lenin," Vol 4, p 677) The great revolutionary teacher was so concerned over the matter of increasing funds for education, he even called for the "whole state budget to first satisfy the needs of primary education for the citizens," or the needs to popularize education. This shows how farsighted he was!

Since education is an investment in production, such investment should precede and not follow economic construction. Everyone knows that energy and communications are the prerequisites for economic construction. But very few people realize that education is construction more fundamental than fundamental construction. This is because education is the business of training people. It calls for a relatively long period of time. Just as an ancient saying goes, "Rome was not built in a day." This is entirely correct. It is calculated that it takes around 12 years to produce workers with intermediate cultural, scientific and technical levels, and around 16 years to turn out advanced scientific and technical personnel. As far as the coal industry is concerned, a newly constructed mine with an annual production of 900,000 tons takes only 5 years to be realized, and a mine with an annual output of 3 million tons only 6 or 7 years. On the front of the petroleum industry, we call for further increasing the capacity to exploit crude oil by 35 million tons and the capacity to tap natural gases by 2.5 billion cubic meters during the period of the Sixth Five-Year Plan. Regarding communications, we can newly build 2,000 km of railroad in 5 years. The time taken up by energy or communications efforts is shorter than that required for education. Moreover, given an increase in labor productivity and an improvement in investment results, the time for economic construction can be shortened. This does not affect the quality of projects. Things are different as far as the training of skilled personnel is concerned. If the required period of time is shortened, quality will suffer. If we do not act first and make proper preparations for the training of skilled personnel then even given the development of communications and energy, the pace of economic construction will suffer, because of the lack of engineering and technical personnel. Now certain units have imported advanced technology and equipment but cannot even find people to translate the relevant literature. They do not know how to operate the equipment obtained. As a result, some imported machines lie idle, or are not fully used. Is this not a most convincing case in point?

Another reason investment in education should precede economic construction has to do with mankind's rapid scientific and technical advances. Many scientists hold that since time immemorial, science and technology have

produced an impact on human society on four occasions--impacts from the discovery of fire, from agricultural technology, from the industrial revolution and from information technology. The Renaissance in Europe led to the scientific revolution in the 19th century. There was an upsurge in the technical revolution in the 1930's. Foundations were then laid for the invention of synthetic fibers, plastics, radar devices, television, jet planes, and so forth. Owing to World War II, only in the 1960's did they enter social production and life. Today, judging from scientific and technical development at its current stage, human society is facing the impact of information technology and will enter the era of highly developed information automation. In the past, in its struggle with nature, mankind felt the urgent need to "extend hands and feet" and increase its strength, or the urgent need to develop machinery, materials, and the science of energy. Given the development of science and society, there is inevitably the need to develop the science of information and to increase the function of the sense organs, the nervous system and the brain. From papermaking and printing to telegrams, telephones, motion pictures and television and to the appearance of the means of handling information, every revolution has brought mankind into a more civilized era. Due to the automatic handling of information in a revolution arising from the invention of the electronic computer, scientists hold that there will be produced a more extensive and profound influence on human society than the revolutions in energy involving the steam engine, electric power, and atomic power. The features that mark the application of information in society are: 1) The proportion of money spent on knowledge is showing an ever greater increase and there are more and more people involved in creating, accumulating, transmitting and utilizing information. 2) Of the information coefficient, knowledge is accounting for an ever large proportion. All kinds of knowledge are increasingly permeating one another. Man's superiority is increasingly turning into intellectual superiority, superiority in knowledge and academic superiority. The more clumsily information is handled the more detached is the policy decision from actual conditions and the greater is the damage done. The pace of technical development depends on the degree to which information is used. Some industrially developed countries today include the science of information, or the electronic computer course in the secondary school curriculum and are even thinking of beginning with it in primary education. Under the impact of the information revolution, the aging cycle for knowledge is getting increasingly short. If we do not try to catch up in this field, the gap between our country and the industrially advanced countries by the end of the 20th century will not be increasingly narrow but increasingly wide. This is really cause for concern. But to improve the scientific and cultural levels, we must begin with an energetic effort to invest in the intellectual field. Otherwise, we will get nowhere. The fundamental thing to do in the matter of intellectual investment is to carry out compulsory education.

Attention to knowledge must go hand in hand with attention to education. This is acceptable to relatively large numbers of people. Education should precede, and not follow, economic construction. Only with education developed can the economy develop quickly. A relatively small number of people accept this idea, because it runs counter to people's traditional viewpoint. Practice is the only criterion for testing truth. So long as it is truth, it can stand the test of time.

KNOWLEDGE IS A BRILLIANT TREASURE

Beijing RED FLAG in Chinese No 8, 16 Apr 83 pp 6-11

[Article by Jiang Xia [3068 7209]]

[Text] Introduction

It is said that in ancient Greece there was a philosopher who did not want other people to call him a sage or wise man, whereupon it was announced that he was merely "an enthusiast of knowledge." In ancient Greek the word for philosophy comprises the two words love and wisdom. In those days love of wisdom was very probably a preoccupation of a small minority of people, whereas today in our four modernizations construction program, it has become a positive quality of a broad, mass character.

Our construction cause needs all kinds of talents. It needs a great many enthusiastic workers, management and administrative personnel, and scientists and technologists and it also needs all kinds and all levels of experts and specialists. As far as the cadre ranks are concerned, it demands a revolutionary spirit and youthfulness, and, at the same time, knowledge and specialization. This kind of situation thus greatly encourages study and promotes all kinds, levels, and styles of training in every field. The study of Marxism-Leninism, modern science and culture, theoretical knowledge and real knowledge, and so on is beginning to converge into a mighty torrent. This huge torrent is, in turn, giving rise to and encouraging a new prevailing mood throughout society whereby more emphasis is placed on a socialist spiritual civilization and scientific and cultural knowledge.

However, one fact cannot be ignored. In today's society, there is still a tendency to disregard knowledge (especially rational knowledge). As a result of some historical factors and others connected with their understanding of the situation, some cadres still maintain some incorrect and irrational viewpoints concerning knowledge (especially systematic scientific knowledge) and its role. If we say that knowledge is a treasure chest, that it is the common wealth of mankind created and accumulated through generation upon generation of practice by mankind, and that the component parts of its total truth are brilliant treasures in themselves, then during the course of the development of society and knowledge itself some dust has settled on this treasure. Some of this dust is the dust of misinterpretation and

prejudice and some is the dust of misconception and misunderstanding; thus, knowledge, in the minds of some, has become dowdy and lackluster. Ignoring any other reasons for the moment, it is extremely important that we do some work in brushing away the dust from knowledge so that we may appreciate its value a little more and adopt the attitude of concern for knowledge that it merits.

Knowledge and Labor

There is a saying that: Every product in the world is a son or daughter; labor and knowledge are their parents. Although this saying is very simple and not necessarily accurate, nevertheless it does express the fact that labor and knowledge must and should be integrated within human society and life.

Some of our cadres have ignored this point, and sometimes a belief has emerged from the bottom of their hearts which seems to stress the importance of knowledge but runs the risk of separating or isolating labor and the laboring masses. Some comrades have even gone as far as saying that we "should not boost the morale of knowledge and thereby dampen the spirit of labor." Such words and thoughts as these, which diametrically oppose labor and knowledge, represent a grave misunderstanding of knowledge (and labor).

Throughout the history of social development, human knowledge has always grown in accompaniment with labor; they were integrated from the beginning, neither divorceable from the other. Later, as the productive forces developed, the division of labor between mental and physical labor and the appearance of classes began a separation to a very great extent and indeed engendered an opposition. In reviewing the work of a writer, Marx wrote that: "The opposition between nonlaboring prosperity and the poverty of laboring in order to live has given rise to the opposition to knowledge. Knowledge and labor have separated, and thus knowledge, the luxury of the capitalist or the rich man, is opposed to labor." ("Collected Works of Marx and Engels," Vol 26, p 321) This kind of opposition exists within a capitalist society; it also existed in feudal and slave societies, the only difference being in class relations. On the one hand, a small number of people, mainly exploiters, place all arduous physical labor onto the backs of the exploited laboring masses, while they alone enjoy the privileges of education. Admittedly, they have the requirements and the specialized time to promote the development of knowledge but, at the same time, they also use knowledge as a tool to oppress and exploit the working people. On the other hand, although the working masses provide a profound realistic basis for the promotion of knowledge through their production labor and other social practices, paying in blood, sweat and tears, they are deprived of all rights and conditions for enjoying cultural education. Thus, in their material lives and in terms of their culture and knowledge, they sink into poverty and hardship. In their own interests, the capitalist classes also arrange some universal education and organize some affairs to develop science and culture, but the conditions for survival of the working classes in a capitalist system still do not permit the large majority of workers to obtain the knowledge they should have, thus greatly restricting the

extension and expansion of their fields of knowledge. It is in this way that the system of exploitation has set up the opposition between labor and knowledge; it is the product of an antagonistic society and it is certainly not the fault of knowledge itself.

Thus, even under these kinds of social conditions, workers who have a consciousness all know that knowledge which reflects the truths of the objective world and the abuse of knowledge in the hands of the exploiting classes for their own class interests and prejudices are two very different things and should not be confused. The worker is only opposing the exploiting classes' sole claim to scientific and cultural knowledge, which has led to the working people's benighted demise; the worker is only opposing the exploiting classes' use of knowledge to jeopardize the people and the development of society and is not at all opposing the treasure house of knowledge itself. As long as practical experience proves that knowledge is reliable and has scientifically reflected objective reality, then all working people warmly welcome it. They never miss an opportunity to try to obtain the rights and requirements for grasping knowledge or to absorb the fruits of knowledge and reject the dross. As Lenin said: "The workers seek with thirst for knowledge because knowledge is necessary for them to achieve victory. Nine out of 10 workers already understand that knowledge is the weapon to grant them liberation...." ("Collected Works of Lenin," Vol 28, p 70)

Within a socialist society, the situation is fundamentally different. The gaining of scientific and cultural knowledge is no longer the prerogative of a small minority. The unfair monopoly on the treasure house of knowledge by a small minority no longer exists. The people's state has taken decisive measures and set up all sorts of requirements and conditions to ensure and promote knowledge as something enjoyed by more and more people. No longer may knowledge be used to threaten or endanger the people; instead, it is becoming more and more a means by which the people may become prosperous. Here, then, the opposition between labor and knowledge has been eradicated. They have begun on a new foundation an enormous integration on a new scale. If we say that labor transforms and constructs the objective world in practical terms, then knowledge is the conceptual and theoretical understanding of the objective world. Here then, social practice, which includes within it production labor, represents the source of knowledge, while knowledge is a necessary factor and vital condition for social practice. The primary shape of perceptual and partial knowledge is like this, and this is also the case for more rounded, rational and general knowledge.

These relations between labor and knowledge, in which each mutually complements the other, have manifested themselves in this manner particularly clearly in the socialist system. Another reason for this is the constantly increasing elements of mental labor that socialism is promoting within physical labor, thus guaranteeing that mental labor does really become a kind of labor. Although the complete integration of and perfect unity between labor and knowledge and the eradication of differences in the intrinsic qualities of physical and mental labor still require a long

historical process, the establishment of socialism in itself represents a historic start for this integration and unification. In view of this trend, there is of course no reason to continue to regard labor and knowledge as mutually unrelated or even opposed. In our real work we must not bring up or aggravate what is essentially a past opposition. The intimate integration between knowledge and labor gives full expression to knowledge's role of serving the people and serving socialism, thereby promoting the increasing intellectualization of the working masses. Only in this way can labor become more productive and knowledge shine forth with greater brilliance.

The Strength of Knowledge

Knowledge, as the accumulated wealth of society, is embodied within products of labor and the tools of labor, within the production experiences and social living experiences of mankind, and within every kind of science; it is reflected in print and passed down through generation upon generation, increasing in quantity, in depth, and in systematization, increasing limitlessly in accumulation and developing and regenerating. Today, knowledge has become an enormous, highly developed system, composed of many different sciences and incorporating everything. The accumulation of knowledge is one of the important secrets of the development of human civilization. If one casts aside and rejects the social accumulation of knowledge, then one cannot understand the development of human society.

Engels said: "The speedy increase in man's knowledge of natural laws brings with it increases in man's means to exert an effect on the natural world." ("Collected Works of Marx and Engels," Vol 20, p 374) This is how knowledge of the natural sciences is in the face of the natural world, and it is also how the social sciences are in the face of spheres of social living. Indeed, all specialized areas of science are like this in the face of their individual spheres of reference. In terms of its innate qualities, knowledge (including all areas of specialized theoretical sciences well removed from real life) reflects the accumulated fruits of man's understanding; it reflects the advanced fruits of changing the old world and constructing a new one and all those things which the whole of mankind cannot do without for a moment, such as the torch, the compass, tools, and precision weapons. In this sense, it is very easy to understand the rationale behind the phrase "knowledge is strength."

Some comrades, while being very enthusiastic about this phrase, often underestimate the role of knowledge, usually because they are fettered by all sorts of traditional concepts or because they have been affected by the narrow world vision of small production. As a result, they often tend to ignore the development of intellectual resources.

"Just a little bit of knowledge is nothing extraordinary or terrific." Everyone has some knowledge, and while it is by no means lightly obtained, it is of course not worth bragging about. But, as a member of society, of a class, and of a race, one indeed may have an extraordinary or terrific role to play if one grasps the wealth of human knowledge and the new knowledge and fruits of contemporary science and culture. Freedom cannot be

attained until the law of necessity is understood, and this is the most concise and effective explanation of the strength of knowledge. Knowledge can help one assimilate experiences from practice and seek objective laws. Knowledge can directly become man's power of observation, power of analysis, power of discernment, power of judgment, and power of prediction, and all of these embody very clearly the strength of knowledge. What we call doing things according to objective laws actually implies the need for regular knowledge. Although within each person there is an imbalance in the amount of knowledge and the amount of ability present (because ability, in addition to a certain amount of necessary knowledge, must also rely on the accumulation of real experiences and the handling of one's skills), it is always true, no matter what, that knowledge forms the solid foundation for ability (thus, for example, a doctor's ability in looking after his or her patients is intimately linked to his or her medical knowledge). If one truly believes that one has some creativity or inventiveness in one's work, then there must also be a relatively high level of knowledge present.

The major industries that man has created as well as every kind of invention all illustrate the strength of knowledge on a vast and glorious scale. In Marx' view, all such inventions "are the materialization of knowledge and wisdom" (see "Outline of Critique on Political Economics" (Rough Draft), Book 3, p 358), and they are able to introduce knowledge and science into the production process, thereby fully giving expression to their role "as a direct vessel for social practice." (Ibid.) "Thus, science depends on these inventions to prompt natural forces to serve labor." ("Collected Works of Marx and Engels," Vol 16, p 140) In this way not only the natural sciences, but also "general social knowledge and learning" to a very great extent "become direct productive forces." (See "Outline of Critique on Political Economics" (Rough Draft), Book 3, p 358) The present day, with its developments in science and technology, is nothing like the days of handicraft labor when one had to rely on experience to grope for some small skill. The narrow scale of production and the narrow field of vision of mankind in those days meant that science and technology were unable to fully develop and illustrate their strength; indeed, some feudal lords even denounced science and technology as "evil sorcery." Today, the amazing wonders that science and technology have produced in every area and the enormous might that it has shown us are now commonly accepted facts. Every one of the tasks facing us in the four modernizations construction program, whether it is production development, improvements in the production labor rate, improvements and perfections in management, or invigorating the economy, must all rely on developments in science and technology and on the cadres and the masses improving their specialized knowledge and specialized abilities, thereby raising the levels of scientific and cultural knowledge.

Marx regarded science as primarily an effective lever in history; he saw it as a catalytic and revolutionary strength in history. It should be pointed out that this is the correct and rational estimation of the strength of knowledge. And it is in this way that we should view man's highly developed system of knowledge and its value.

The historical materialist view of knowledge is fundamentally different from the historical idealist view of knowledge. Knowledge is a product of human practice and it is man's true reflection of the objective world in conceptual terms and not some gift from heaven or an a priori substance. Nor is the strength of knowledge some "a priori domination of the world through wisdom." Hence, in order to guarantee the successes of man's practical activities and the true strength of knowledge, we must both emphasize the advancement of knowledge in relative independence and uphold the intimate relations between knowledge, practice, and the masses, ensuring that practice is the only standard by which we may examine the truth and maintaining the use of dialectical materialism and historical materialism in our development of knowledge.

Neither should we ignore the accumulation of knowledge by reading books. There is no kind of knowledge that may be divorced from direct experience. Here, of course, we are talking in terms of the overall body of knowledge and its origins, but this does not imply that every single person must gain every item of knowledge from direct experience. In actual fact, most people's knowledge comes from an intermediate source of experience, including the study of books. Here the most important thing is to have the ability that Lenin talked of; namely, to adopt an analytical, judgmental, and experiential attitude in the face of written knowledge from a book. One should not allow useless, erroneous, outdated and burdensome knowledge to pile up in one's brain. Instead, one should equip oneself with all the real knowledge that modern scholarly people must possess, making sure that one fully understands and masters the knowledge that one has studied and using it in life and practice and not merely stopping at the level of written, readymade book knowledge. (See "Collected Works of Lenin," Vol 31, pp 254-255) This is the way we should regard and increase our strength of knowledge.

Knowledge and Moral Character

Another belief that sometimes emerges from the hearts of some comrades is the apparent stressing of an emphasis on knowledge but which, in actual fact, runs the risk of damaging moral character. Thus, it would seem that a lofty moral character is not only not related to knowledge but that it expressly rejects knowledge. It would appear that scientific and cultural knowledge has absolutely no influence on the formation of a person's moral character or perhaps only a negative influence.

Once again, the above displays a great deal of misunderstanding and misinterpretation.

In a class society, morals are characterized by class; thus, different classes have different standards for evaluating lofty or low moral character, very few of which have anything to do with the extent of one's knowledge. For the time being, we will not consider this in further detail. While in our socialist society one may find people with low levels of knowledge but with a very lofty moral character, on the other hand there may be others who, while they have a very high standard of knowledge, may

have very low morals. Such a division between morals and knowledge, if we analyze it in more detail, is not mainly caused by the extent of one's knowledge but is influenced by other things, such as social, class, practical, and ideological factors. In our society and under normal circumstances a person's knowledge, wisdom and moral character are in overall terms more or less the same, although there are still some differences and irregularities. Here, then, it is intellectual accomplishments in the natural sciences and the social sciences and education in various other areas which play an important role in forming a good moral character.

This kind of fact is very clear and self-evident: Scientific knowledge is of great significance in fostering people's scientific spirit and scientific attitudes. Correct scientific spirit and scientific attitudes, if they respect the truth, reject superstition and ignorance, maintain a broad field of vision, seek pure truth, rely on practice, boldly research and probe, open up and create new possibilities, carry out studies, and so on, cannot help but make up an important part of a lofty moral character. Of course, one should not depend solely on knowledge to foster these kinds of morals; one should mainly rely on training in social practice and political and ideological education to establish one's correct position, viewpoint, and methodology. Nevertheless, if one ignores scientific knowledge in attempts to foster this scientific spirit and these morals, then one is more than likely to be barking up the wrong tree.

Although people's morals (including moral concepts and moral values) do not, for the most part, belong to the category of knowledge, they cannot depart from the support or mainstay which theory and scientific and cultural knowledge provide for them. With the confines of rational morals in the world, there are in fact no moral demands, evaluations of good and evil, or norms of behavior which have absolutely no basis in knowledge.

People's beliefs are an important integral part of people's moral character. If these beliefs are to truly become solid and conscious scientific beliefs, then they need true knowledge as their foundation stone. Our scientific communist beliefs are these kinds of highly scientific beliefs and they are based on scientific knowledge of the laws of social development. One could even say they are based on the fruits of all human knowledge. For this very reason Lenin wrote: "Only by using the entire wealth of knowledge of human creativity to enrich one's own brain can one become a communist." ("Collected Works of Lenin," Vol 31, p 254)

A multitude of facts prove that scientific, cultural and aesthetic knowledge play a more and more important role which both feudal and capitalist cultures could not and still cannot play in increasing one's wisdom, developing one's powers of reflection and evaluation, enriching the soul, fostering lofty emotions and spiritual awareness, and indeed forming a lofty and good moral character. In a society ruled by class oppression, the morals which occupy the ruling position in the society are in most cases out of line with scientific knowledge, whereas our socialist intellectual education and moral education are in overall terms not only mutually noncontradictory but are, in fact, mutually complementary, and each promotes the other.

Some people say that "knowledge can make people arrogant and proud." In actual fact, true knowledge can only tell you the limitlessness of the universe and that man's knowledge of the universe is also limitless and that even though the knowledge that an individual may gain is extensive, it does have its limits and thus must be seen as only one drop in an ocean of knowledge. One cannot gain knowledge through affectation and pretense. The most important things that one must have are modesty, steadiness and diligence. Nor is knowledge a means for showing off; rather, it is merely a simple, realistic and painstaking tool to search for truth. It is also a tool to arm one's brain and act as a guide in practice. Arrogance and presumption are not products of true knowledge--indeed, it is the other way around--and such vices as these are often connected to narrow-mindedness and scanty knowledge.

Some people say "knowledge makes people hesitate." This is not necessarily so. As knowledge increases, one analyzes and makes judgments on questions, knowing that it is necessary to examine the complexity of things and that one must carry out a great deal of research and investigation and not make sweeping value judgments, acting blindly and hastily. And indeed, this is all very good and healthy. Indecision and hesitation are not the result of great knowledge but are in most cases, the result of a lack of boldness and fortitude and a lack of training in practical work. Knowledge plays an important part in the act of making expedient decisions whenever necessary. Thus, Engels said that accurate and bold decisions are always supported and held up by knowledge of the regularity of things "and hesitation is based in ignorance." (See "Selected Works of Marx and Engels," Vol 3, p 154)

Other people say "knowledge can produce individualism." This is not true. Individualism is a product of the system of private ownership. Thus, how can knowledge be blamed for it? It is said that the traits of mental labor are individual in nature and thus individualism is easily produced. In actual fact, the enormous amount of mental labor that is carried out today, while it does still depend on decentralized work by individuals, is in its content intimately bound to the spiritual wealth of social collective creativity. Marx said that all scientific work, all discoveries, and all inventions, "all such work partially depends on modern man's cooperation and partially on using the work of one's predecessors. The premise for common or shared labor is direct cooperation between individuals." ("Collected Works of Marx and Engels," Vol 25, p 120) Today, if one wants to solve a complex question or problem and one diverges from the fruits of collective creativity and the exchange and distribution of and cooperation between the many branches of science, one will find oneself in considerable difficulty. Does this kind of situation aid the fostering of collectivism or does it encourage individualism? Anyone who has any scientific knowledge and some scientific working experience can provide the correct answer to this question without any difficulty.

New Inspiration From Old Trends of Thought

Throughout the history of thought some trends of thought have emerged which negate knowledge. If we analyze them, it may give us inspiration in helping

to overcome mistaken beliefs involving rejection of and prejudice against knowledge. Of course, these kinds of trends of thought are not by any means the same thing as the mistaken beliefs that some of our comrades hold.

Lu Xun satirized the propaganda of nihilists in his "Knowledge Is Evil." Around the time of the 4 May movement, those people who opposed new trends of thought and new knowledge did in actual fact create quite a stir with this idea. This concept, which stated that knowledge and wisdom was one with treachery and falsity, smacked of rejecting wisdom and knowledge. They failed, however, and scientific knowledge was victorious, with its strength of truth opening up the way for its own continued popularization. During the 10 years of social chaos, another fallacy was rampant. It said that "the greater the knowledge, the greater the opposition to it." To be blunt, it was nothing more than an idea created and used by Lin Biao and the "gang of four" in their attempts to wipe out culture and oppose social development. They too were toppled.

Treachery, falsity and evil are all derived from social systems and classes and they have no causality with knowledge and wisdom. To intentionally mix them all together is to display a prejudice even further from truth than ignorance. We know that if knowledge and evil are integrated and the former serves the latter, this is truly treacherous, reactionary and loathesome. Thus, if knowledge and justice are integrated and the former serves the latter, this is true brilliance, keenness and advancement. The interests of the people, the interests of the development of the social productive forces, and the interests of the forward development of human society should be the basic yardstick to measure and define the bounds of good and evil in the use of knowledge.

Another trend of thought was that which opposed the obscurantist policies of the ruling classes, and the so-called "the people may have freedom but not knowledge" belonged to this class of thought. The ruling class had a monopoly on knowledge and desperately tried to convince the oppressed and exploited masses that knowledge was not necessary. This was an obvious attempt to the awakening of the people and their opposition, while seeking to maintain the one-sided concept of "those who work with brains rule and those who work with their brawn are ruled." At times they even brought up and eulogized the so-called "flourishing age of ignorance" ("obey the emperor without understanding"). While this might only be a beautification of the existence of savages, barbarians or indeed animals, it was pure deception and poison for the people. Interestingly, it was Liang Qichao, influenced by foreign capitalist science and culture, who altered the above-mentioned Chinese phrase to give the meaning: "If the people are acceptable, let them have freedom; if they are not, let them acquire knowledge." He understood that the people had to have enlightenment and knowledge. Later, he stressed the need to "seek true knowledge" and "seek systematic true knowledge," and so on.

Socialism is constructed by the consciousness and mental abilities of the people. One of the superior aspects of this kind of social system is that it not only advocates that the people should grasp knowledge, it also sets

up many reliable conditions to ensure and urge the people to correctly grasp this knowledge. Thus, it is only within a socialist society that an upsurge in love for knowledge with a mass character may correctly appear through the call to our glorious targets and aims.

Love for truth, emphasis on knowledge, and respect for science and culture are an important part of a socialist spiritual civilization. They also represent an extremely valuable quality in revolutionaries and pioneers. In today's capitalist world, there are still many trends of thought which display hostility toward knowledge. Furthermore, they reappear in different guises (for example, using intuitionism and consciousness-raising to negate and replace scientific knowledge, etc.). These kinds of trends of thought in general advocate neo-obscurantism, reject truth, ignore knowledge, and in particular, reject and deny dialectical materialist and historical materialist viewpoints while, at the same time, disseminating all kinds of ideologies which oppose science and culture and are corruptive and degenerate. The encroachment of this kind of thinking is indeed corrosive for the construction of our socialist spiritual civilization and for the ideological morals of the people. Our dissection of these old and rotten reactionary thought trends and our recognition of age-old ideas in new and fashionable trends of thought should awaken and indeed strengthen an awareness in us; namely, that knowledge of the basic theories of Marxism-Leninism-Mao Zedong Thought and knowledge of science and culture, mutually integrated with the revolutionary class and revolutionary people, will and can generate an enormous strength. This strength will promote the smooth development of our socialist modernization program and will bring us new victories.

The great targets of communism and the "emergence of total knowledge of the theories of communism" (as Lenin put it) as well as the latter's continued development will together, without doubt, illuminate our victorious course with even greater brilliance.

CSO: 4004/31

RESOLUTELY CORRECT ERRONEOUS ACTS OF SUPPRESSING AND ATTACKING INTELLECTUALS

Beijing RED FLAG in Chinese No 8, 16 Apr 83 pp 12-13

[Article by Zheng Shi]]

[Text] Some leaders of the Shijiazhuang City Science and Technology Commission and Earthquake Bureau have refused to implement the policy on intellectuals and have protractedly suppressed and attacked Liu Bingliang, an engineer, and other scientific and technological personnel. Comrade Liu Bingliang once gave a report forecasting the Tangshan earthquake in 1976. After the earthquake, he also made a scientific analysis of the earthquake status of Shijiazhuang, and took part in scientific research on learning bitter lessons from the Tangshan earthquake and formulating plans for resisting earthquakes in Shijiazhuang. As he once criticized some leaders of the Shijiazhuang City Science and Technology Commission and Earthquake Bureau for their withholding of the earthquake forecast report and their dereliction of duty in the earthquake, he was labeled as "resisting leaders," and has repeatedly been attacked and suppressed, with his scientific research achievements deliberately devalued or neglected. When other scientific and technological personnel aired their grievances against the erroneous act of suppressing and attacking intellectuals and reported this to party organizations at higher levels, some leaders of the city science and technology commission and earthquake bureau groundlessly asserted that there existed in the unit a so-called "group resisting leaders." They even went so far as to deceive higher authorities and people and refused to carry out the work arranged by the city CPC committee on checking the status of intellectuals in accordance with the instructions of the central leadership and the provincial CPC committee. It really is strange that people holding leading positions in science and technology management institutions dared to take such reckless action.

Why did some leaders of the Shijiazhuang City Science and Technology Commission and Earthquake Bureau insistently refuse to implement the party's policy on intellectuals? What are they safeguarding?

Are they safeguarding Marxism? This is one reason given by those people who stick to "left" ideas.

In his report delivered at the meeting to mark the 100th anniversary of the death of Marx, Comrade Hu Yaobang gave a thorough explanation of the relationship between Marxism and knowledge and intellectuals. Neither the appearance and development of Marxism nor guidance on the practice of China's socialist modernization by Marxism could be achieved without knowledge and intellectuals. The view that sets Marxism against knowledge and intellectuals and holds that attaching importance to knowledge and intellectuals runs counter to Marxism is itself an anti-Marxist view.

Are they safeguarding the party's principles? This is a reason given by those who think they represent the party themselves.

To safeguard the party's principles, the most essential thing is that we must resolutely and consciously maintain political unanimity with the CPC Central Committee and implement to the letter the correct policies formulated by the CPC Central Committee since the 3d Plenary Session of the 11th CPC Central Committee. Correctly handling intellectuals is one of the important policies. It was precisely on this important issue that some leaders of the Shijiazhuang City Science and Technology Commission and Earthquake Bureau went against the party's principles. Some leaders of the Shijiazhuang City Earthquake Bureau even requested "all party members to maintain political unanimity with the leaders of the bureau." We would like to ask whether all party members in the bureau must maintain political unanimity with such leaders of the bureau who refused to maintain political unanimity with the CPC Central Committee. People with some basic knowledge about our party all know that by putting forward such requests, the leaders of the bureau actually put on a rival show to the CPC Central Committee and treated the units under their leadership as an independent kingdom. For example, they openly labeled the reporting of the status of the bureau to party organizations at higher levels by bureau personnel as "nonorganizational activities," saying that "in a feudal society, this activity was described as going against one's superiors and those who reported the situation would be flogged 50 times on their hips." Is it appropriate to say that such remarks are filled with decadent feudal ideology?

Are they safeguarding the interest of workers and peasants? This is one reason given by those who detest the party's policy on intellectuals.

Before liberation, the broad masses of Chinese workers and peasants were not only oppressed and bullied by others, but also were poor and uncultured. All workers and peasants with political awareness have always treated intellectuals taking part in and showing sympathy for revolution as people on their own side. Today, workers and peasants have become masters of society. Therefore, they wish to have more knowledge and make themselves and their descendants more intelligent people, thus giving full play to their abilities in the four modernizations. Knowledge and intellectuals have never been so warmly welcomed by the broad masses of workers and peasants as they are today. Those who discriminate against, suppress, and attack intellectuals absolutely do not represent the interests of workers and peasants.

So, what are those people who have insistently refused to implement the party's policy on intellectuals safeguarding? To put it bluntly, they are safeguarding their narrow and selfish individual rights and interests. The reason the leaders of the Shijiazhuang City Science and Technology Commission and Earthquake Bureau discriminated against and attacked intellectuals lies not only in the fact that they are unprofessional in science and technology but are overweening; they seriously neglected their duty but refused to correct their mistakes and they were shamed into anger when they were criticized by intellectuals who are experts.

A deputy chief of the Shijiazhuang City Earthquake Bureau even went so far as to say: "I once persecuted others and was also persecuted by others. Therefore, I know how to persecute others. If you want to tussle with me, you are no match for me." This fully exposes the secret behind their discrimination against and attack on intellectuals. So they are not people who just shout political slogans and make no contribution because they are laymen, but are people who are filled with leftist ideas and are skilled in persecuting others. Therefore, what they care for is how they can successfully retain their positions and power, but not how the cause of the party and state can develop and avoid losses. We must admit that it really is very dangerous if we let them handle the cause of the party and state.

At present, there indeed exist some cadres who know nothing about the profession of the units under their leadership but refuse to study hard so as to become experts and hence exercise poor leadership. Some cadres even refuse to master necessary professional knowledge but continue to ride roughshod. Consequently, not only do they fail to exercise a professional leadership over their own units, but they also abolish the party's leadership and replace it with arbitrary decisions and peremptory actions of individual people and small circles. This being the case, how can these units bring into play the enthusiasm of the vast number of cadres and masses and create a new situation in their work in accordance with the requirement put forward by the 12th National CPC Congress? In the cause of building socialist modernization, if leading cadres at all levels do not have some basic scientific and cultural knowledge and are not familiar with the profession under the scope of their leadership, it will be impossible to implement the correct leadership of the party, and if we rely on such kinds of leading cadres, the prospects for the four modernizations will be hopeless.

Leading comrades of the Shijiazhuang City CPC Committee and People's Government have attached importance to the problems of some leaders of the city science and technology commission and earthquake bureau and have taken effective measures to reorganize leading bodies of the two institutions. They have also personally conducted investigation and research on the problem of intellectuals, extensively taken the advice of many intellectuals and done quite a lot of effective work in implementing the policy on intellectuals. However, according to what has already been exposed on the problem of suppressing and attacking intellectuals, although the CPC Central Committee has, since the 3d Plenary Session of the 11th CPC Central Committee, repeatedly stressed on many occasions the implementation of the

policy on intellectuals, there are still some people who refuse to carry it out in their ideology and practice. This problem merits the serious attention of leaders of various areas and units. We must take resolute and effective measures, devote major efforts to removing various "leftist" obstacles, make great contributions to the integration of intellectuals with workers and peasants, to giving full play to intellectuals' talents and capabilities, and to the four modernizations, and create a comfortable working environment.

CSO: 4004/33

A SPRING WIND WHICH CANNOT BE SHUT OUT

Beijing RED FLAG in Chinese No 8, 16 Apr 83 pp 14-15, 40

[Article by Hu Chengqing and Zhao Derun]

[Text] For a long time the spring wind of policies for intellectuals, which the party has drawn up, did not blow in the Shijiazhuang City Science Committee and Seismology Bureau. The prejudice and discrimination some leaders directed against intellectuals meant that scientists and technologists suffered direct repression and attack. After the Shijiazhuang City CPC Committee decided to implement a reorganization of the leadership groups, the spring wind was at last able to enter.

What Kind of Comrade Is Liu Bingliang?

People's views of things are not the same: In the eyes of some of the leaders in the seismology bureau, former chief of work organization and engineer Comrade Liu Bingliang was a "nonworker" who "specialized in getting others to oppose the leaders." In the eyes of other comrades, he was an accomplished engineer and principled member of the Communist Party.

Liu Bingliang, a 38-year-old engineer, is a seismologist who has made some outstanding achievements. Before the Tangshan earthquake, he voiced opinions containing specific predictions concerning this major earthquake at two meetings dealing with seismological affairs over which he presided. After the earthquake, in view of the general fear and panic that existed, he announced, after scientific analysis, that "within the near future, Shijiazhuang would not experience a devastating earthquake." This was extremely effective in settling people's fears and getting production restarted. Later, he collaborated with comrades from top-level seismological departments to write the 100,000-word publication "The Tangshan Earthquake," in which he assimilated and brought together the harsh lessons learned from the experience. In 1979, he actively suggested, and indeed participated in, the organization of the Shijiazhuang seismic prospecting project. In 1980, he completed the drawing up of "The Shijiazhuang Anti-earthquake Plans." In 1981, he wrote a scientific paper entitled "A Discussion of Problems Concerning the Handling of Earthquakes in Urban Areas," which he read at the national technological forum on seismology. The paper was subsequently selected as Shijiazhuang's outstanding scientific paper of

1981. In addition, he has constantly published articles in magazines and newspapers dealing with the analysis of earthquake situations and outlining present seismological knowledge. For many years, Comrade Liu Bingliang has often visited earthquake prediction centers throughout the city, getting to grips with the situation, and helping to solve various problems. No one knows how many Sundays he has sacrificed in studying the geological characteristics of the fault in front of Tai Xing mountain. No one knows how much hardship he has put up with in bicycling to the outskirts of the city to inspect changes in the Hutuo River terrace and remnants of the ancient path of the river. It is hard to imagine that such achievements as these were made by a "nonworker."

For a seismologist, there can be no greater test than an actual earthquake. Since Liu Bingliang began working in seismology in 1971, every time Shijiazhuang has been hit by a measurable earthquake, he has always been the first to reach the office. On the day of the Tangshan earthquake, he was attending a meeting in the province. After the earthquake struck, he walked 10 miles that same night to return to his work post. For more than a month after that, he ate and slept in the office, watching the seismic situation day and night and analyzing anything unusual. Thus, he did not have time to set up an antiearthquake hut for his wife and children, who lived on the fourth floor of an apartment block. His neighbors thus felt obligated to bring them into their own antiearthquake huts.

Comrade Liu Bingliang did not earn much, and there were three generations in the family. In terms of day-to-day living, they often had many difficulties to cope with. In October of last year, he learned from the newspaper that the Shijiazhuang Children's Welfare Foundation was raising funds to build a planetarium, and he donated to the foundation 30 yuan which he had just received as payment for an article he had written, signing himself, discreetly and humbly, as "a technician." Before Spring Festival this year, he paid his party membership dues willingly, using the intellectual's hardship subsidy which had been issued to him by the authorities.

The strange thing is that this accomplished intellectual not only did not have an important work position, but he also constantly suffered attacks and had obstacles and difficulties placed in his way. His scientific paper was branded as something "anyone could write and publish." The reports he made to his superiors in the office on his return from national scientific forums, fell on deaf ears. His suggestions about circulating them to public seismological recording offices were constantly delayed. When he passed around relevant technical material in the office, he was falsely accused of "carrying out a technological blockade against the leaders."

At the beginning of last year, for no reason, he was removed from his position as head of work organization, and in party member appraisals he was appraised as "slow." In June of last year, the publication he wrote entitled "The Shijiazhuang Antiearthquake Plans" encountered problems. According to state regulations, Shijiazhuang falls into that category of town which must draw up antiearthquake plans. With the support of experts

from the provincial seismology bureau and city construction and building departments, Comrade Liu Bingliang spent 3 years toiling to produce these plans. Before their ratification, he asked the leaders of his office many times to examine and approve them. But the leaders of the city seismology bureau did not listen to him, nor did they request their superiors to make a decision on the matter; instead, they continuously played for time until eventually his plans were simply shelved.

The Truth Behind the So-Called "Antileaders Band"

The problems suffered by Comrade Liu Bingliang won the sympathy of some people working in the seismology bureau, and some leaders in the office felt that these 15-odd people (including 9 technicians) represented some kind of "antileader band." Hence, Liu Bingliang was branded the "ring-leader of the antileader band" for having drawn nearly one-half of all the technicians in the office into the "band."

This problem of the so-called "antileader" affairs can be traced back to around the time of the Tangshan earthquake. On 16 July 1976, Liu Bingliang was presiding over a meeting concerning the analysis of seismological affairs, during which he summed up his opinions on public seismological recording offices and drafted a predictive opinion: namely, that an earthquake measuring an intensity of between four and five was going to occur either in the Bay of Bohai or in Shanxi. Liu Bingliang's prediction was presented together with a report written by the city cadre school measurement and reporting center, concerning the possibility of an earthquake of an intensity of six occurring in the same regions, to a certain Mr Li, a former deputy head of the municipal science committee and head of the seismology office. Mr Li readily accepted and agreed to the opinions and papers but did not, in fact, take them to heart and, instead, was busy with so-called "counteraction against rightist deviation" and, hence, suppressed the written prediction of the possibility of a serious earthquake and did not report it further. On 28 July, after the enormous earthquake had struck, Liu Bingliang, Zheng Lianzhi, and other technicians wrote a letter to superior party bodies, criticizing Li's neglect of duty while at the same time bringing up some questions concerning the latter's ideology and life style. This material was passed down through the party ranks until it soon came into the hands of Li. As a result, Li accused Liu, Zheng, and the others of having "trumped up charges against the leaders." Later, the seismology office was changed to the seismology bureau and a certain Mr Zhang, deputy chief of office affairs, began not long after he had taken up office, to investigate this problem of the so-called "opposition to the office head Mr Li." He publicly censured Liu Bingliang and the others for having sent a letter to superior party bodies commenting on leadership problems, saying that this was "nonorganizational activity" and an attempt to "set up personal relations which overstepped organizational relations." Another deputy head said: "His past actions opposing the party were unacceptable." At the same time, in spite of "the people's letter and visits" rights, they published a namelist of those who had written the letter to the superiors. It was only in May of last year, when the office head Mr Li was subjected to party disciplinary action for new mistakes, that the so-called case "against Mr Li" was terminated.

However, this did not mean that the problems of Liu Bingliang and the others were solved. As a result of having been faced with a situation not in accordance with party principles, they had, as was usual, opened their mouths. But they were unable to remove the brand of "antileader."

Two key members of the seismology bureau voiced their opinions to the leaders, whereupon Zhang said: "In feudal times this would be called petty resistance to one's superiors and one would first receive 50 lashes of the whip." Later, he used the excuse that "this work unit is badly organized," to transfer them. When the two comrades were about to leave, they said they hoped that "comrades with differing opinions might be allowed to exist alongside the leaders." Zhang then cursed them, saying: "You bastards, I will send your files to your new work unit." Liu Bingliang could not take this and thus reported his feelings to his superiors.

In the last 2 years Shijiazhuang has experienced two registerable earthquakes. After the first quake the ordinary personnel of the seismology bureau all rushed to their posts, while the municipal government leaders also quickly hurried to the seismology bureau duty room. Meanwhile, the two responsible persons from the bureau stayed at home, as if the affair had nothing to do with them. When the second earthquake hit, the bureau chief happened to be in charge of the shift but he did not take up his post; instead, he announced importantly that "the chief will take charge of the shift from his home." Assistant Engineer Chen Liangjing felt that he could not ignore this, and thus he lodged his opinion.

Chess games played during work time in the seismology bureau became common practice, and it was usually after 0900 that the bureau chiefs opened up the office. These chess games became more and more lively, sometimes lasting for 2 or 3 hours. In September of last year it even went as far as using the time allocated for studying the documents of the 12th party congress to organize a bureau chess competition with prizes for the winner. One technician, He Haiyan, felt he could not stand by and watch this, and thus he lodged a critical complaint.

Some upright intellectuals involved in their work recognized these activities as contrary to party principles, and thus they had the courage to complain to the leaders. This was, of course, a good thing. The leaders of the seismology bureau regarded such action as an outrage and not only did not listen but, in addition, decided to find out who was complaining. After analyzing the situation they determined that "someone else had been shooting his mouth off, but that Liu Bingliang was the one behind it all." Thus, they adopted various tactics such as "winning over the majority and isolating the minority," "division and demoralization and destruction one by one."

At a party branch meeting, the two heads of the bureau brought up a slogan: "The entire body of party members must maintain unity with the bureau chiefs." Liu Bingliang suggested that this was incorrect and that it did not hold water either in theory or practice. The result was that he was branded once again when their response was "if you do not act in this way,

it means you do not want the party branch to be the nucleus; and that implies that the central authorities are impracticable!" Some comrades suggested that if they handled the party's policies toward intellectuals in this way, then this meant primarily a lack of unity with the party Central Committee in political terms and that with this kind of incorrect attitude, how could the entire body of party members maintain political unity with them?

Let the Spring Wind Blow In

In April of last year the Shijiazhuang City CPC Committee, along with the central authorities and the provincial party committee, launched a work investigation of intellectuals. Originally this was a good opportunity for the responsible persons in the seismology bureau to rectify their mistakes and change their incorrect attitudes toward intellectuals. However, after 3 months, the official documents of the higher authorities were still locked in the bureau chief's office desk. "Originally we thought that it would be okay if the documents were simply in the hands of the leaders," Zhang casually explained, thinking he could slip out of it. Later, although the documents were circulated, no intellectuals who had suffered any kind of oppression were sought out for talks, nor were any of the very real problems they had brought up solved.

Moreover, some of the leaders of the seismology bureau, in blatant disregard of the true facts and in attempts to deceive their superiors and to delude their subordinates, actually gave false information to the city office heading the work investigation of intellectuals, stating that "there were no engineers and thus no need for investigation." The city party committee, knowing that this report did not tally with the truth of the situation, urged them to report the truth, and thus they had no option but to report the presence of engineers belonging to the investigation unit. But the report was merely a formality and no investigation took place. Assistant Engineer Chen Liangjing asked to voice his opinions with Zhang, but the deputy bureau chief replied: "The relationship between you and myself is one of leader to subordinate and I do not permit you to give orders to me. I have absolutely no time to talk to you."

During the time of the work investigation of intellectuals, some of the leaders in the seismology bureau were actually very busy. First of all, they removed Liu Bingliang from his position as chief of work organization, elbowing out the only technician to be found among the leaders of middle rank or above. They pigeonholed his antiearthquake plan, dividing it up to be "worked on" in relevant departments, doing their utmost to conceal their errors in this matter.

The resistance of the leaders of the seismology bureau to the implementation of the policies concerning intellectuals was taking them further and further along an erroneous road. One of the main reasons for this was that the poison of "leftist" thinking had not been totally eradicated. Zhang often said: "The leaders have sent me here to be responsible and in charge of you and not so that you may be in charge of and responsible for me." In

addition, he constantly admonished Liu Bingliang and others, saying: "I have made others suffer, and I have also been the target of attack myself. I really know how to fix someone. You are no match for me if it comes to a fight between us." It is very obvious that he placed himself in opposition to the intellectuals and constantly resorted to "fixing people" in his handling of intellectuals. Thus, it is hardly surprising that he complained that "in 20 years of political work experience I have never come across intellectuals like those here today." Another reason for this situation was support from above. It is understood that some responsible persons in the city science committee did not really understand the work of science and technology and did not implement the party's policies concerning intellectuals, thus constantly backing the incorrect actions of the leaders in the seismology bureau. When some of the scientists and technicians from the city science committee reported this situation, they also exposed the serious problem involving the city science committee's oppression of and attacks on intellectuals.

What is gratifying is that the difficulties which Liu Bingliang and others experienced and the incorrect attitudes of some of the leaders of the seismology bureau and the city science committee in handling intellectuals had already come to the attention of the Shijiazhuang city party committee and leading comrades in the city government. From the middle of last year, responsible comrades from the city party committee have been listening to opinions and reports and instructing relevant departments to organize investigations. The deputy mayor in charge of science committee work has met with Comrade Liu Bingliang and confirmed his contributions to the seismology bureau and his dedication to his work, encouraging him to rally with other technicians and workers so as to play an even greater role in their work. After investigations carried out by the city party committee, it was decided that decisive measures should be taken to carry out reorganization of the leadership of the seismology bureau and the science committee. First secretary of the city party committee, Comrade Jia Ran, said to a reporter: "The case involving the seismology bureau and city science committee illustrates that the implementation of the policies concerning intellectuals is a long and formidable task. At present, we are focusing not only on efforts to improve the living conditions of technical personnel but, more importantly, we are primarily trying to create a working environment for them in which they may work with peace of mind and express their intellectual potential to its utmost."

CSO: 4004/33

LET US ALL SUPPORT MAJOR CONSTRUCTION PROJECTS

Beijing RED FLAG in Chinese No 8, 16 Apr 83 pp 16-18

[Article by Jing Ping]

[Text] China's economic situation is growing more and more prosperous. A thriving scene is witnessed everywhere, either in industrial and agricultural production, or in market and foreign trade. With the development of production, the living standard of the people has improved. People all over the country are rejoicing over the situation.

However, under such an excellent situation, we must remain soberminded and properly handle the relationship between local interests and those of the country, and between general and major construction projects. We must concentrate the country's financial resources of key projects. This is vital to the long-term development of the country and the major program of reviving the economy. It is also a fundamental measure to ensure the development of the country's economy along the path of increasingly improving economic results and to maintain the present excellent situation in the economic field.

Last year, investments in fixed assets greatly increased. The problem of overextension of capital construction cropped up again and capital was not used in good coordination between the state and nonstate planned sectors. Investments in fixed assets in 1982 reached 83.1 billion yuan, 13.6 billion yuan more than the state plan and 8-9 billion yuan more than the previous record annual investment in 1980. However, the state plan for key projects was not fulfilled nearly enough because financial resources were used for nonstate planned construction of many small projects sponsored by local governments and enterprises across the country. Only 50 of the 80 large and medium-sized projects in last year's state plan were completed, while local governments and enterprises finished 57 projects. In total amount of investments in fixed assets, the proportion of the state plan dropped to 40.9 percent in 1982, down from 48.5 percent in 1981, while that of nonstate planned construction rose to 49 percent, up from 43.3 percent. Due to the lack of coordination between the state and nonstate planned sectors and an unbridled increase in capital construction, on the one hand, financial resources were used for nonstate planned construction of general projects instead of key projects and duplicate construction of less important

projects hampered the progress of urgent major projects, while, on the other hand, such a situation contributed toward a shortage of raw materials and energy and unbalanced development in heavy and light industry. Consequences will be serious if such a situation is not improved promptly.

An important principle of socialist construction is that the state concentrates financial resources on key capital construction. China has firm foundation to start with. Notable changes in the economy have occurred since liberation, but the number of modern major projects vital to the full-scale development of the country's economy is still far too little. The present foundation of our country in economic and technical strength can hardly meet the needs of the four modernizations. We must thoroughly change the backward economic state and build China into a strong socialist country with a high degree of material and spiritual civilization. To attain this goal it is essential to construct a certain number of modern major projects step by step and in a planned way. The First 5-Year Plan was successful because the state concentrated all financial resources on the construction of 156 key projects, laying a solid foundation for future construction. Other key projects were added in the ensuing 5-year plans. While working hard for the four modernizations, concentration of financial resources on major projects is needed as much now as it was in the First 5-Year Plan. This is the need of the present economic construction, and also a basic task which must be carried out to greet a boom in the economy in the 1990's.

The construction of major projects also will help bring better economic results. In the past few years, economic results have increased, but not remarkably. Why? There are two major reasons. First, the imbalance between heavy and light industry has not been completely adjusted and, as a result, some enterprises lack electricity, coal and raw materials and operate undercapacity. Secondly, technical expertise is at a low level and equipment has not been renewed for a long time. The party's 12th congress pointed out: "Energy shortage and the strain on transport are major checks on China's economic development at present." It also decided that the strategic task for the next 20 years is to develop agriculture, energy, transportation, science and technology. Only in this way can we ensure a general increase in economic results in all enterprises and keep the development of the national economy balanced. Otherwise, if investment is diverted into too many general projects, the new factories will probably have insufficient raw materials and orders, or products cannot be shipped out and difficulty will arise in expansion of production. If this is the case, how can we yield a general increase in economic results?

Comrade Deng Xiaoping pointed out last year: "The construction of important projects, no matter how difficult, must be resolutely carried out. If there is a shortage of money and raw materials, we would rather stop the construction of local projects, especially the general processing industry projects. It will not be a great help, even if the number of small projects is doubled." Comrade Deng Xiaoping's opinion is very important, and we must enforce it seriously.

How can we ensure the construction of major state projects? We believe that under the present circumstances, adequate attention must be given to the following problems:

1. The state must have enough funds for the construction of major projects. In the past, decisionmaking was overcentralized. This dampened the enthusiasm of local governments and enterprises which had far too little financial resources for local economic development. This drawback must be overcome in the present reform of the economic system. In raising funds, the state should no longer follow the old road of draining the pond to catch all the fish. However, the reform of the financial system must guarantee the interests of the state, local governments and enterprises. The state should always have the larger share of the profits made by enterprises. This enables the state to have enough money for major projects and arouses the enthusiasm of local governments and enterprises to revive the economy. If we fail to ensure the construction of major projects or keep the national economy balanced, will it be possible for enterprises to obtain sufficient raw materials for reproduction on an extended scale? And will it be possible for enterprises to give full play to their enthusiasm? It must be realized that the state can focus financial resources where they are really needed and on solving problems which are beyond the ability of an enterprise, a city or even a province. This is one of the major advantages of socialism, and a prerequisite for expanded reproduction by local governments and enterprises. Concentrating financial resources on the right channel can be compared with a campaign on a battle front. Only when the chief commander properly takes charge of the whole operation is it possible to win the battle. If the chief commander makes a mistake in command, the victory of a company or a platoon can hardly reverse the whole trend.

It must be noted that at present, some local governments and enterprises retain a larger part of their profits than they should by cutting down the share to the state. Some enterprises keep a larger part of their profits through illegal activities, and not by means of cutting down expenditures and increasing income. This is absolutely harmful to the development of the entire economic construction. In the current economic reform, we must develop a rational formula for taxation in order to leave a reasonable amount of profit to the enterprises while giving them more decisionmaking powers to stimulate their enthusiasm. Enterprises with poor management should be made to pay more taxes as punishment or even be closed down. High demands must be set on enterprises to make them work under high pressure. Only by doing so will the enthusiasm of enterprises be given full play and production put into full swing.

2. We should strive to spend the funds collected by local governments and enterprises in accordance with the state plan, but part of the funds can be flexibly used by them. However, large investments, whatever sources they may come from, will certainly influence the national economy as a whole. An investment in an enterprise or a province may appear small, but all the small investments around the country will amount to a huge sum. If such a huge sum of investments is not used in accordance with the state plan, but instead is used in a blind way, allowing each to its own pace, it will

surely affect the construction of key projects and hinder the national economy from developing in a planned way and in perfect proportion.

Some comrades say: "The state has its major projects and I have mine. I collect the funds; this is nothing to do with you." It is true that local governments and enterprises should have their own key projects. However, when local interests conflict with those of the state, should we subordinate local interests to those of the country and take due consideration of the national interest, or should we think of only local interests and take no account of the whole interest? The answer is to resolutely support the former and oppose the latter. Sometimes, some construction projects might be very important to local interests, but they are not essential to the country or even affect the situation as a whole. Enthusiasm shown only for local interests but not for those of the country often becomes a destructive force to the overall situation. All personnel of economic affairs, therefore, should always bear in mind the idea of taking the whole country into account and taking the long-term interests of the country into consideration and think of the overall situation before handling any problems concerning local interests. At the same time, in drawing up plans for any construction project, they must remember that too much emphasis on partial or local interests is sometimes harmful to the development of the economy. Capital construction should be kept to a degree the national economy can afford. In order to guide and control the use of the funds collected by local governments and enterprises, leading departments must adopt concrete measures and make proper policies accordingly.

3. It is necessary to properly control investment in nonproductive projects and skillfully handle the relationship between productive and nonproductive projects. In the past, construction of nonproductive projects was ignored due to leftist influence, greatly inconveniencing the people's livelihood. The situation has now changed. The percentage of nonproductive investment has increased from 17.4 percent in 1978 to 42.5 percent last year. It is absolutely necessary to "make up something one has missed." However, the increase in investment in nonproductive projects is still too little and lags behind the people's needs. This is because our country's low productivity cannot afford to keep the rate of investment in nonproductive projects constantly on the rise. In addition, the funds and materials needed for construction of nonproductive projects are provided by productive units, with most of them coming from completed key projects. Any difficulty in the construction of key projects will inevitably affect the smooth development of nonproductive projects. Therefore, in order to promote the development of nonproductive construction, it is necessary to skillfully handle the relationship between major and general projects, properly control the construction of nonproductive projects and intensify the construction of key projects. From a long-term point of view, the construction of key projects will boost the development of nonproductive projects.

4. Implement the principle of "first, feed the people and second, build the country" and properly handle the relationship between accumulation and consumption. Improvement in the people's livelihood should be based on the

development of production. This is the goal of developing production and carrying out the construction of major projects. We should by no means sway from this goal. However, only when production develops will the living standard of the people be enhanced step by step. Consumption must be based on the development of production. People's livelihood can hardly be constantly improved if there is no development in production and the construction of major projects. To this end, we must teach the people to maintain a proper balance in the relationship between the state, the collective and the individual and the relationship between immediate and long-term interests. They must be taught that they should not only "stretch their hand no further than their sleeve will reach" in improving their livelihood, but they should also work hard for the development of production in order to create more wealth for the country and support the construction of state-operated major projects.

Of course, stressing the construction of major projects does not mean to develop the construction of major projects alone, without making overall arrangements in capital construction. It is necessary to maintain a good balance between overall arrangement in capital construction and the construction of major projects so as to ensure the proper development of the national economy.

CS0: 4004/33

CHINESE PEASANTS IN THE 1980'S

Beijing RED FLAG in Chinese No 8, 16 Apr 83 pp 19-24

["Investigation report" by Zhang Tiefu [1728 6993 1133]]

[Text] An important question for us today is how to understand the situation of the Chinese peasants in the 1980's and how to treat them. Only when we are able to correctly understand and treat the peasants will we be able to correctly understand and implement the principles and policies defined by the CPC Central Committee since the 3d Plenary Session of the 11th CPC Central Committee, respect the creativity of, trust and rely on peasants, organize and guide them to further develop the new situation that has already been created in rural work, and materialize the various tasks put forth by the 12th CPC National Congress for the construction of rural areas.

I. Apparent Changes Have Taken Place in the Peasants' Material and Cultural Life

The 3d Plenary Session of the 11th CPC Central Committee has opened up a broad road for making historic changes in the rural areas of China. Under the guidance of the party line, principles and policies, the broad masses of peasants have broken away from the "leftist" ideological bondage, overcome the shortcomings of excessive centralization, created the system of contracted responsibility with payment linked to output that has both the nature of centralization and decentralization, carried out reforms of the rural economic system, economic structure and agrotechnology, and probed the road for modernizing agriculture with Chinese characteristics. Bold reforms in agriculture have enabled hundreds of millions of peasants to fully display their rich creativity, while the material and technical conditions of socialist agriculture that have been formed over the past three decades have been fully used. Reforms have directly linked peasant labor with their profit and properly solved the relations between the state, collective and individuals; reforms have changed the long practice of just concentrating on grain production to the neglect of diversified economic management, and created a new situation of overall development of agriculture, forestry, animal husbandry, sideline production and fisheries, and comprehensive management of agriculture, industry and commerce; reforms have promoted the development of science and technology, enabling a great

number of experienced artisans to fully display their skills; and reforms have promoted changes from self-sufficient and semi-self-sufficient agricultural economy to the production of commodities on a relatively large scale, from a monolithic economic form to multiform and multilayer united economy, and from traditional agriculture to modern agriculture. In short, reforms have activated the rural economy, mobilized the initiative of hundreds of millions of peasants to form a tremendous material force, rapidly changed the protracted situation in which agricultural production was stagnant, and rapidly promoted this production to increase peasant income and considerably improved peasant material and cultural life and as a result, the wide rural areas are now a scene of prosperity.

Income has been increased and living standards have been improved considerably. Thanks to the rapid growth of grain and cotton production and diversified economic management over the past few years, peasants now have more grain and money and a great many households of 10,000 jin grain and rich households have emerged in various places. Peasants in China have made considerable achievements in getting rid of poverty and becoming rich. The majority of the peasants have solved the problem of food and part of them have become rich. Investigations carried out by the departments concerned of 18,500 peasant households in 568 prefectures of the 28 provinces across the country show that the average per capita net income in 1981 was 223.4 yuan, 67.3 percent higher than in 1978, and 2.5 times more than the increase of 40 yuan in the 20 years from 1957-1976. Increases in income were followed by much higher consumption. Expenditure for consumer goods in 1981 was 64.9 percent higher than in 1978. Peasants also have made considerable achievements in such commodities as clothing, food and housing. Compared with 1978, the proportion of refined grain consumed in 1981 was increased to 67.3 percent per capita, edible oil consumed on the average increased by 58.6 percent and meat consumed by 51.3 percent; average per capita consumption of chemical-fiber fabrics increased by 1.98 fold, woolen fabrics 1.57 fold, silk and satin fabrics 1.5 fold, knitting wool and woolen sweaters and underwear increased by 2.5 fold; bicycles increased by 41.9 percent, sewing machines 55.6 percent, radios 1.33 fold and wrist-watches 1.39 fold; per capita housing space is now 10.16 square meters. Total bank deposits of peasants' surplus money across the country in 1981 amounted to 16.96 billion yuan, twice the figure for 1978.

The structure of peasant family spending has changed and the proportion of funds for expanding reproduction also have increased. Investigations of 48 peasant households in Hejin Prefecture of Shanxi Province showed that of a household's expenditure, cost of living expenses accounted for 50 percent, production accounted for 25.4 percent, and other expenditures, including those handed over to the state and collective, made up 4.7 percent, and fund accumulation 16.9 percent. A seven-member peasant household headed by Yang Xizhong specialized in crop planting. In 1982, four members of this household had contracted on 36 mu of farmland, and also engaged in sideline production such as breeding pigs. Their total income for the year was 9,450 yuan. Their expenditures included: 3,240 yuan for production, or 34.3 percent of the income; 3,661 yuan, or 38.4 percent, for living expenses; 1,300 yuan, or 13.8 percent, was handed over to the production team as

contract money, and 700 yuan, or 7.4 percent, was used to pay loans. Total expenditures were 8,901 yuan, with a surplus of 500 yuan at the end of the year, representing 5.3 percent of the income. What merits our attention is that this peasant used one-third of the income in production to make a good foundation for expanding reproduction and increasing income in the future.

The introduction of the system of contracted responsibilities with payment linked to output was followed by the emergence of the situation in which some households became rich earlier and others later, and in which there is a difference in the extent of prosperity. Investigations of 7,487 peasant households in the Dongfeng people's commune in Jianou Prefecture, Fujian Province, showed that 1,646 households with good labor and more income made rapid improvement in their living standard. Such households accounted for 22 percent of the total households investigated; the number of the households with active labor and that have been able to increase income and improve their living standard was 4,716, or 63 percent of the total, and the number of the households with improved living standard, ordinary labor and slightly increased income was 748, or 10 percent of the total. The number of households with weak labor force, little income and difficult living conditions was 374, or 5 percent of the total. This is a normal situation in the process of becoming rich through labor. It is because peasant households have different production conditions, a different number of members, different labor conditions, different management ability and cultural level and different income and extent of prosperity. It is impossible for everyone to make the same progress in becoming rich through labor; some may become rich faster, while some others slower, and some may fail to become rich for quite a long period. But our principle and ideal is for everyone to become rich and this takes a long time. Therefore, we cannot prevent part of the peasants from becoming rich first; on the contrary, we must let them become rich in advance so as to promote the development of production in rural areas and make more peasants become rich. Of course, when we are encouraging some peasants to become rich, we must also support the households with difficulties from various aspects so that they will be able to gradually become rich too.

Cultural and scientific technical levels have been improved. Another apparent change experienced by peasants in China in the 1980's is that their cultural and scientific level has been improved.

Statistics of Heilongjiang Province in 1982 showed that of the peasants, ranging in age from 15 to 45, 44 percent have primary school cultural level, 31 percent junior secondary school level and 13 percent senior secondary school level, with the remaining 12 percent being illiterate and semiliterate.

In the 1950's, 3.5 percent of the peasants of Qingjiang region in Bazhong Prefecture, Sichuan Province, were of primary school level, 1 percent junior secondary school level and 0.05 percent senior secondary school level, but now the figures have increased 6.7 fold, 18 fold and 34 fold, respectively. Of every 100 peasants, 16 are of primary school level, 10 junior secondary school and 7 to 8 are senior secondary school.

The cultural level of the peasants and herdsmen in border and minority nationality regions also has been improved considerably. Statistics in Huocheng Prefecture, Xinjiang, in the first half of 1982 showed that of the 275,000 population, 56.7 percent have primary school level, 24.1 percent junior secondary school level and 6.19 percent senior secondary school level. In Balinzhuo Banner of Nei Monggol Autonomous Region, 88.4 percent of the peasants and herdsmen have the level above primary school education, of which 50.7 percent are of primary school level, and 26.5 percent and 11.2 percent are of junior secondary school and senior secondary school level, respectively.

Peasant cultural life has also been improved. Most people's communes now have their own cultural stations. Some have film projection teams, while others have opera houses or peasant spare-time opera troupes. Many villages have cultural rooms, clubs and reading rooms, and a number of peasants have subscribed to books and magazines as well as newspapers. Ownership of radio sets is widespread in some villages and some peasants have bought TV sets and tape recorders. Over the past 2 years, rural areas in Jiangxi Province have built 85 theaters (film projection teams), 62 cultural stations, 342 cultural rooms, 135 reading rooms and 485 spare-time opera troupes. In 1978, Puqi Prefecture in Hubei Province only had 2 rural cultural stations, 13 reading rooms and 45 film projection teams, but in June 1982, these figures increased to 25, 27 and 53, respectively. The distribution of pictorials and books throughout the whole prefecture increased from 887,000 in 1978 to 1,699,000 in 1981.

Culture may be likened to a key. With their cultural level increased, peasants have been able to read, improve political consciousness, enrich their knowledge, widen their vision and grasp modern science and technology, and all these represent a favorable condition for developing modern agriculture. Following reform of system and economic structure, the campaign of technical reform has been unfolded in rural areas. Peasants have now become much more concerned with the matter of learning and using science. Agrotechnicians have been welcomed by peasants, while books and newspaper articles about science and technology are widely welcomed. The so-called "those engaged in farm work do not need to study" no longer works. In general, peasants now pay much attention to selecting and using fine strains, applying fertilizer scientifically, protecting crops and scientific breeding. Skilled artisans and educated youths have been able to display their talent. A number of specialized households that are good at management and technology demonstration households in the use of science and technology have emerged in rural areas and have created labor productivity that is several times higher than ordinary peasant households. Now, the total motive power of agricultural machinery across the country is more than 210 million horsepower (1.13-fold increase over 1965), with mechanical wells totaling more than 2.2 million. A number of peasants have become farm machinery operators. Technical popularization stations have been set up in prefectures and people's communes while villages have their own scientific-technical groups and as a result, a scientific-technical network has been gradually formed.

Economic and cultural activities carried out by peasants have changed the situation that had been caused by the small peasant economy, and in which peasants were narrow-minded, deprived of contact with situations in other places, ignorant and backward.

II. The Structure of the Ranks of Peasants Has Profoundly Changed

The proportion of middle-aged and young peasants has increased to become the main force in agricultural production. Investigations show that the proportion of young peasants between the ages of 16 to 35 has increased. In 1952, the labor force above the age of 16 in Qingjiang region of Bazhong Prefecture of Sichuan Province was 35,450, of which 48 percent were above 50, 28 percent were between 35 and 50, and 24 percent were between 15 and 35. The total number of laborers in 1982 was 75,052, and the proportion of those above 50, between 35 and 50, and between 16 and 35 was 26 percent, 22.6 percent and 51.3 percent, respectively. Statistics in 1982 showed that the proportion of young laborers between the ages of 16 and 35 in the Malu people's commune in Jiading Prefecture of Shanghai was 61.4 percent, while the figure for the Baoche people's commune in Xinyi Prefecture, Jiangsu Province, was 66.3 percent.

Generally speaking, the older generation of peasants suffered much in the old society, and through comparison of the new society with the old, they cherish deeper feelings toward the party and socialism, are hard working and live a simple life. Young peasants do not have such experience, yet they have more advantages than older peasants. Having grown up and received education in the new society, they ardently love the party and socialism. Most have a desire to make progress and are active ideologically and in making contributions to the modernization program. They have higher cultural levels, generally above primary school level. Of the more than 110,000 young peasants in Qianjiang Prefecture of Hubei Province, 18.7 percent have a cultural level of senior secondary school level, 42.9 percent junior secondary school and 38 percent primary school. They have ideals and are quick in receiving new things, and they represent the main force in reforming the rural economy and in popularizing advanced science and technology. Most of the workers in the enterprises run by people's communes and production teams, agrotechnicians, scientific and technical specialized households, farm machinery operators, electricians, film projection staff, accountants, teachers of locally run schools and barefoot doctors are young people. Most of the cadres of production brigades and teams are also young people. In Tangshan region of Hebei Province, 57.1 percent of the 698 production team leaders investigated were young people, while 68 percent of the cadres of the enterprises run by people's communes and production teams and the cadres of production brigades and teams in Qianjiang Prefecture of Hubei Province were also young. Most rural scientific research teams, clubs, reading rooms, spare-time schools and study teams are managed by young people. We have pinned our hopes for modernization in rural areas on young people. Of course, young peasants also have their own shortcomings; for example, they lack the feelings of "have been liberated" as cherished by peasants of the older generation and they are not familiar with revolutionary tradition; some are vulnerable to the influence of bourgeois

ideology and life style. Therefore, we must pay particular attention to stepping up ideological and political education among young peasants and ensure that young people grow healthily.

Peasants have gradually changed from monolithic farming to engage in agricultural, industrial and sideline production and a number of key households and specialized households have emerged. The situation in rural areas in which labor is "bound on farmland" to undertake monolithic grain production has been changed, diversified economic management and family sideline occupation have been developed and a new situation of developing agriculture, forestry, animal husbandry, sideline production and fisheries and comprehensive management of agriculture, industry and commerce has been created. In order to accord with the needs of these changes, division of labor and specialization have been carried out in labor force in rural areas and there have emerged a number of key households, specialized households and united bodies of specialized households. Quite a few laborers have been shifted from crop planting to diversified economic management in order to promote the change of rural economy from self-sufficient and semi-self-sufficient economy to commodity production. These changes meant big progress over the situations in the 1950's and 1960's.

Investigations in some places showed that in the 1950's, those engaged in agricultural production made up more than 95 percent of total labor force. Comrade Mao Zedong said at that time that it was a backward situation for the 500 million peasants just to engage in farming for feeding themselves. Following the development of rural economy in the 1960's and 1970's, peasants demanded to undertake diversified economic management and consequently part of the labor force was shifted from agricultural production to industrial and sideline production and family sideline production. But because of "leftist" policy, this move was regarded as "capitalism" and criticized. As a result, diversified economic management could not be developed and grain production grew slowly. The situation has changed tremendously over the past few years. In general, those engaged in diversified economic management in various regions make up about 20 percent of the labor force, while in economically advanced regions the figure is as high as 50 and even 70-80 percent.

The division and specialization of the labor force in rural areas has been followed by the emergence of a number of grain specialized households and breeding specialized households with higher commodity rate and a number of industrial specialized households and agricultural specialized households. The ranks of "peasant-workers" have emerged in rural areas. The deployment of the rural labor force of the Malu people's commune of Jiading Prefecture on the outskirts of Shanghai in 1981 was that 45.4 percent were engaged in agricultural production, 10 percent in sideline production and 44 percent in industrial production. And consequently, there appeared three kinds of households: pure peasant households with all their members engaged in agricultural production--they made up 1 percent of total peasant households; the percentage of "agro-departed households" with all their members engaged in industry was 10 percent, and the percentage of "agro-included households" with all their members engaged in both industrial and agricultural production

was 88 percent. This development trend is of great interest to narrowing the difference between rural and urban areas and between workers and peasants. It is a new road that accords with the national condition in China for peasants to engage in industrial production in the rural areas.

Tremendous changes have taken place in the class situation in rural areas. During the agrarian reform, poor peasants and hired farmhands made up about 70 percent of the total rural population, middle peasants about 20 percent, and landlords and rich peasants about 10 percent. According to the class situation at that time, the party defined the general line and policy of relying on poor peasants and uniting with middle peasants, eliminating the feudal and exploiting systems step by step and according to specific conditions, and developing agricultural production. Such class line and policy were totally correct during the new democratic revolution. During the period of socialist transformation, we followed this class line to form class superiority of the poor and lower-middle peasants, to unite middle peasants and to reform landlords and rich peasants. This measure was necessary and effective. But following the development of the socialist revolution and construction, great changes have taken place in the political and economic situations in the rural areas. The economic situations of the original poor and middle peasants have changed, and the majority of the original landlords and rich peasants changed from exploiters to laborers who earned their living through their own labor following a long period of labor reform. But under this situation, during the 1960's and particularly during the "Great Cultural Revolution," we still followed the past method of defining class nature and we took "class struggle as the key." As a result, class struggle was broadened, no measure was taken to make differentiation between the original landlords and rich peasants. In addition, although it was defined in policy that the new generation of landlords and rich peasants who were born and have grown up in the new society, including their sons and grandsons, are to be united, in reality they were listed in another book and consequently they were discriminated against. During the "four clean-ups" movement, these people were defined the same as laboring peasants, and yet the problem remained unresolved because of "leftist" ideological guidance. This problem was not finally resolved until 1979, when the CPC Central Committee decided to remove the label of landlords and rich peasants.

The class situation of the ranks of peasants in China today is very different from what it was in the 1950's. Investigations showed that Yingcheng Prefecture of Hubei Province had a rural population of 158,362 in 1956, of which 62.8 percent were poor and middle peasants and of the same background, 26.9 percent were middle peasants and of the same background, 5.9 percent were of landlord and rich peasant origin, and 4.4 percent were landlords and rich peasants. In 1982, the population increased to 293,000, of which the original poor and lower-middle peasants made up 18 percent (as against during the agrarian reform). The original middle peasants made up 7 percent and the original landlords and rich peasants (177 were yet to be removed from their label) accounted for 2 percent, and the second and third generation peasants of various strata 73 percent. This situation showed that with the exception of few original landlords and rich peasants who

disappeared naturally, the majority were reformed into laborers, and as an exploiting class, the landlords and rich peasants were eliminated. The 73 percent of the peasants of various strata has now become the main force of the ranks of the peasants. It showed that the ranks have been broadened, as has the sphere of those to be relied on and united with.

The "leftist" mistakes of broadening class struggle were criticized and the slogan of "class struggle as the key" was abolished by the 3d Plenary Session of the 11th CPC Central Committee. This is a correct move that has played an active role in strengthening the unity of the ranks of peasants, mobilizing the initiative of various aspects and promoting the modernization program. But there are still some problems and, therefore, much work has to be done. Particularly, it is imperative to educate cadres and party members so that they can correctly understand the changes of the class situation in the rural areas and understand that class struggle still exists within a certain sphere, and not to follow the theory of the dying out of class struggle; they must also understand that class struggle is now in the secondary position, and in no way can they uphold "leftist" view and broaden class struggle.

If we say that our class line was able to unite about 90 percent of the population in the rural areas in the 1950's and 1960's, now the sphere for uniting with must be extended to more than 99 percent. To unite more people is of greater interest for realizing the socialist modernization program.

III. Correctly Treat the Chinese Peasants in the 1980's

Veteran peasants Tang Jinsun and Fu Laomu of Nanfeng Prefecture in Jiangxi Province have been activists since the agrarian reform and in their chat with cadres, they said the following:

"In the early liberation days, people were vigorous in handing grain over to the collective and in selling surplus grain to express their gratitude for being liberated. During the periods of the cooperatives, the Big Leap Forward and the people's communes, people were willing to follow orders from above. During the 3 difficult years, we only had porridge to eat twice a day, and yet we were working enthusiastically. People disregarded difficulties and fatigue and did not blame the higher departments even when they were unjustly criticized; on the contrary, they blamed themselves for not doing their work well. At that time, people only knew that they would never be able to repay all the goodness done them by the CPC and Chairman Mao. And during the 'Great Cultural Revolution,' people thought that by paying respect every morning, reading every evening, and with Red banners on the edge of the fields and little Red books in their hands, they would be able to improve their political consciousness. At the beginning, people also followed any directive during mass criticism and self-criticism. But they began to doubt when they saw that leading cadres at various levels were ferreted out one after another, coupled with beating, smashing and looting, and suspension of work and production. Whatever the situation was, the country would be finished once workers and peasants stop working.

We changed our attitude and stopped following orders no matter how chaotic the situation in other places."

What moving words! These words represent the deep feelings cherished by the peasants of the older generation toward the party and the country. Under the leadership of the party, the Chinese peasants who were living in miseries formed a solid alliance with the working class, and consequently they overthrew the three big mountains that were oppressing them to gain liberation. Following the founding of the PRC, and under the guidance of the party, the Chinese peasants took the road of cooperation to develop the socialist collective economy. Through their own experiences, peasants have come to understand that they will be able to create their own happy life only when they follow the party and take the socialist road. That is why they have protected the party and ardently loved socialism, the state and the collective. They have very high ideological consciousness. When they suffered setbacks and had difficulties because of the mistakes in our work, they never lost confidence in the party, nor did they depart from the socialist road even though they have opinions. And when we have corrected our mistakes, they would trust the party even more and carry out socialist construction with still greater enthusiasm.

There are now 22.35 million party members in the rural areas of China, 25.4 million CYL members, more than 20 million cadres of production brigades and teams, more than 8 million staff members of tractor stations, more than 4 million teachers of locally run schools, more than 1.5 million barefoot doctors, more than 4 million staff members of various scientific and technical stations, and more than 4 million staff members of supply and marketing cooperatives (shops) and a great number of demobilized army men and army men transferred to civil work who have received education and training. All these people are the backbone force in the rural areas that has taken the lead in various aspects.

We have had various lessons in the past as how to treat peasants. For quite a long period following the completion of socialist transformation, a situation existed in which the negative aspect of peasants was exaggerated. Some people also said that peasants were still small-scale producers and were yet to be reformed, and that they were dreaming of restoring capitalism. Consequently there appeared such mistakes as uprooting white flags, self-criticism and criticizing peasants at will, and these politically hit at and economically infringed upon the interests of peasants. In another period however, peasants were regarded as more advanced than the working class and consequently we made mistakes of making a transition too hastily, and a tendency to effect the transition to communism prematurely appeared. These mistakes have caused serious damage and had serious effects.

Now, how should we correctly treat the Chinese peasants in the 1980's?

First of all, it is necessary to affirm that having tempered in the practice of socialism over the past three decades and more, the peasants in the 1980's are very much different in nature from their counterparts as small private owners in the days prior to liberation, and they are also very

different from the peasants in the 1950's and 1960's. They are no longer small producers standing in a crossroad; but have become socialist laborers and socialist new peasants who have covered quite a long distance in following the socialist road. They have both negative and positive experiences in which they have feared "everybody eating from the same big pot" and working on their own. They are resolute in following the road of socialist cooperation. The system of contracted responsibilities with payment linked to output that is created by them and that is characterized by both centralization and decentralization is in fact a great creation made in their effort of probing the road for developing socialist agriculture with Chinese characteristics. Following the reform of agricultural economy over the past few years, peasant interests have been linked even more closely with the whole interests of the state, while the worker-peasant alliance has been further consolidated and developed on a new basis. Their ideological consciousness and cultural and scientific and technical levels have been improved considerably. They have begun to depart from the original and stubborn situation of small producers that is characterized by narrow-mindedness, backwardness, conservativeness and selfishness. In order to build modern socialist agriculture, they are daring to probe and reform, and they have displayed their high initiative, wisdom and creativity; they are hard working and are also concerned with the interests of the state and collective, and they are able to correctly handle their relations with the state and collective. In short, under party leadership and with the support of the state and working class, the Chinese peasants in the 1980's are sparing no effort to realize the strategic goal for the modernization program put forth by the CPC Central Committee and to build spiritual and material civilization in rural areas. Of course, they still have some passive and backward aspects. For example, the psychology and habits of small producers have not been completely eradicated and they still are influenced by feudal and capitalist ideology. Social practice and order in some places is not good, with some peasants having engaged in serious criminal activities and others having neglected the interests of the state and collective following the introduction of the method of contracting responsibilities to individual households, and refusing to hand over retained public funds, and even infringing upon public interests to meet their own interests at the expense of others, and damaged forests and arbitrarily occupied farmland. We must pay attention to these problems. It is a serious and heavy task to educate peasants. But the most important way to solve these problems is through ideological and political work and the building of spiritual and material civilization, and in the process of reforming the objective world, let them improve and reform themselves. The party has defined a series of policies that have granted peasants autonomy in production. Peasants have gained economic interests from these policies and consequently have praised and protected them. We must enthusiastically guide, help and unite with the peasants; we can in no way use rude and forcible methods toward them. We must be confident that the Chinese peasants with revolutionary traditions will be able to train themselves into a great army for building socialism, to have ideals, morality and culture and to abide by discipline.

SET UP A NEW COMMODITY CIRCULATION SYSTEM IN OUR COUNTRY

Beijing RED FLAG in Chinese No 8, 16 Apr 83 pp 25-27

[Article by Liu Yi [0491 3015]]

[Text] Following several reforms since the founding of the PRC, the commodity circulation system in our country has had much effect on reorganizing the private sector, stabilizing market price, facilitating production development and securing the well-being of the people. However, such reforms have reflected more the characteristics of the state administrative system than reflecting the characteristics of commodity production and circulation. Since the 3d Plenary Session of the 11th CPC Central Committee, having summed up the historical experience in the past 30 years, we recognized profoundly that a socialist economy is a planned economy in which production and exchange of commodities exist and that it is necessary to have a planned economy as the main, supplemented by market adjustment. Under such circumstances, the initial commodity circulation system has become incompatible with the demand of the practical economic situation. It is essential to restructure the commodity circulation system.

According to the guiding principles laid down in the report by Comrade Hu Yaobang at the 12th CPC National Congress, and the report of Comrade Zhao Ziyang at the 5th Session of the 5th NPC, we must carry out such a reform resolutely and systematically, so as to quicken the pace of the reform. The national commodity work meeting held in October 1982 summed up the practical experience in the past 4 years and proposed to establish a non-restrictive, fewer-link commodity circulation system in which state-run commerce plays a leading role and various economic forms, management methods, and circulating channels coexist. If we proceed firmly with this reform proposal and make improvement through practice, we can walk a path to the development of socialist commerce with distinctive Chinese features. Therefore, we must continue to clear away the undue influence of "leftism," further reorganize and relax the policy of purchase and sale, make a breakthrough to systematic reform, carry out the responsibility system of management, and strengthen the organization of worker brigades as well as the construction of commercial facilities. I would like to share with comrades my personal views on the new commodity circulation system.

1. Establish and Give Free Rein to the Leading Role and Dominant Position of State-Run Commerce

The report of the 12th CPC National Congress pointed out that "the consolidation and development of the national economy is a prerequisite for ensuring that collective ownership by the working people will proceed toward the direction of socialism and ensuring that individual economy aims to serve socialism." Long ago it was stated clearly that in the domain of commodity circulation, state-run commerce should be the main body. To stress this point under today's new situation is of special significance. To establish a dominant position and give free rein to the leading role of state-run commerce, with the coexistence of various economic forms, is the prerequisite for the commodity circulation to proceed toward the direction of socialism. The reason is that only the economic strength of a strong state-run commerce will be able to support and facilitate the harmonious development of various economic forms. As a result, the principle of having a planned economy as the main (which is supplemented by market adjustment) in business activities can be upheld, and the devastating effect caused by market ignorance can be avoided. In order to maintain the leading position of state-run commerce and to give free rein to its leading role, a planned management of the important commodities affecting the people's livelihood should be strengthened by various forms, wholesale links should be properly handled, and circulation properly coordinated so that the basic needs of the people and socialist production can be ensured. This is the most important responsibility of state-run commerce, as well as one of its strong points. On the other hand, we must stress the positive involvement of state-run commerce in market adjustment. Our market is a unified market in which various forms of economy coexist. To take part in market activities, the state-run commerce must properly manage the commodities under a planned management. State-run commerce should voluntarily utilize the law of value to adjust supply and demand, stabilize price and prosper the economy through economic activities such as proposals of purchase and sale. The dominant position and leading role of state-run commerce can be fully demonstrated by the utilization of a planned management and market adjustment.

2. Persist in the Policy of the Coexistence of Various Economic Forms

There is no doubt that a socialist unified market is not monopolized by state-run commerce. However, it is necessary to have a better knowledge about whether various forms of economy are confined to state-run, cooperative, and individual commerce. In fact, various forms of economy have gone beyond the basic formats of national, collective and individual commerce. In recent years, various forms of joint venture have emerged in agriculture, industry and commerce. So far as commerce is concerned, there have been joint ventures among enterprises, joint ventures between the industrial and commercial sectors, between the agricultural and commercial sectors, and even joint ventures among the industrial, commercial and agricultural sectors. So far as economic composition is concerned, there have been joint ventures among state-run enterprises, among collectives, joint ventures between state-run enterprises and collectives, between collectives

and individual enterprises, and also among individual enterprises. As such ventures are based on their common economic interest, they are also able to learn from others' strong points to offset their own weaknesses, and to supplement each other and strengthen their competitiveness. Their superiority in production and management is thus obvious. It can be said that the emergence of joint ventures is a breakthrough preceded by the demonopolization of state-run commerce. Its emergence adds much to the variety of business structures, makes management more flexible, and activates our market. We should, therefore, enthusiastically support and develop various forms of joint ventures in a bid to achieve a smooth circulation of commodities and make the best use of everything while sticking to the policy of the coexistence of state-run, collective and individual commerce.

3. Implement Various Flexible Forms of Management

The supply of daily necessities was, for various reasons, inadequate for a long period of time. As commodities were in acute shortage, a multitiered form of management was gradually formed so as to ensure the people their basic needs. This formation was necessary. Since the 3d Plenary Session of the 11th CPC Central Committee and the open-door policy and the policy of improving the national economy, old practices such as fixed administrative and supply divisions, fixed supply targets, fixed deducted wholesale price rate, fixed wholesale starting point, the single way of stocking goods in service retail links, sales and service, and so forth, have become inappropriate for a new economic situation. Our minds and bodies will be fettered if we are unable to see the change in situation and the needs for our economic life, and if we still think that they are the right practices. The relaxation of economic policy, the improvement of circulation of goods, and the competition as seen in market have had an impact on the simplified, single way of managing state-run commerce. We should not be indifferent to such an impact nor should we put the blame on everyone. In fact, reform is the only way out. The earlier we reform, the earlier we take the initiative; the later we reform, the later we take the initiative. We will be in a passive position forever if we do not reform. At present, the flexibility of various ways of management has become the key to maintaining the dominant position and leading role of state-run commerce in the new economic situation. It has been proved that on the basis of maintaining the leading role of planned economy, flexible management will bring forth prosperity while inflexible management will lead to depression. Even the state's planned commodities should be flexibly managed so as to maintain their superiority, to improve industrial and agricultural production and the well-being of the people, and to promote the business of other economic forms. The implementation of the management contract responsibility system is the key to mobilizing enthusiasm for management among enterprises and staff and to opening up flexible management. The management responsibility system, which was not in operation for a period of time, has again gained acceptance by commercial staff and the masses of people. The reason is that it suits the objective demands of managing socialist enterprises. In carrying out the management contract responsibility system, remarkable economic and socialist results will be scored and the superiority of socialist commerce

and service trade will be given full play if we can create a harmonious integration of responsibility, authority and interest, keep abreast of our enterprising management, and continuously strengthen our ideological work.

4. A Socialist Unified Market Needs Various Circulating Channels

A socialist unified market is one in which various economic forms coexist and the multichannel circulation of commodities is determined, a circulation which expedites the flow of commodities and suits the demand of planned economy. In a socialist unified market, state-run commerce is the main channel and it coordinates urban and rural markets. Various forms of cooperative undertakings are important channels. Grassroots supply and marketing cooperatives, in particular, play an important role in the rural market and should be given full play. Private and individual business and country fair trade of various production units are indispensable supplementary channels. The flow of all channels should not be obstructed or monopolized. State-run commerce and supply and marketing cooperatives have monopolized the market for years. The longstanding "bureaucratic commerce" has deprived the people of a wide choice of consumer goods. The idea of monopoly has not been eliminated yet. The economic lever has not been used to resolve new problems arising from multichannel undertakings. The improvement of circulation is a requirement for boosting goods production. Multichannel circulation is the basis for the improvement of circulation. Raising urban and rural blockades is a condition for multichannel circulation. Competition is not keen since there are not too many channels. The circulation of commodities cannot flow freely if urban areas and localities are not open. Only when multichannel circulation is put into effect can the urban economy be prospered. We should, therefore, firmly criticize the idea of monopoly. We should have a clear differentiation between vivacity and chaos. The vivacity created by multichannel competition should not be confused with chaos. It seems that vivacity will naturally lead to chaos. However, order can be resumed through unity. Monopoly should not be defended nor should vivacity and management be in opposition. It is apparent that multichannel circulation should not be controlled if it is to be vivacious. Vivacity and management should be well integrated.

With the change of business structure and multichannel circulation, it has become a major task to rationally readjust, coordinate and arrange the management proportion of commerce (which takes various economic forms) in the entire commercial sector. Based on the principle of strict wholesale and loose retail, state-run commerce should be taken as the main channel and it should control 70 percent of the supply of wholesale goods, in a bid to help stabilize the market, secure the well-being of the people, and maintain the good order of the socialist unified market.

5. Adopt a System of Open, Fewer-Link Circulation; Achieve High Efficiency and Great Results

The development of various economic forms, various forms of undertakings and multichannel circulation requires the adoption of an open, fewer-link system by state-run commerce in order to contribute efficiently and effectively to

the four modernizations and the well-being of the people in the urban and rural areas. In the past, the multitiered management of state-run commerce was too mechanical and rigid, although wholesalers and retailers in the past few years have been allowed to choose their own place for stocking goods (including industrial goods, and agricultural and sideline products) and to choose what kind of goods are to be consumed. However, restrictions have not been totally lifted and the number of links has not been greatly reduced. The multilink circulation of some agricultural and sideline products has been glaring. This goes against the requirement of an economical and reasonable circulation of goods. We can never open up a new prospect if this problem is not resolved effectively. The ways of initiating reform include a gradual separation of administration and enterprise, improvement of methods of planned management, reduction of the number of transfer links, organization of a production-supply-sales organism, appropriate relaxation of the policy of purchase and sales, readjustment of price control, and implementation of contract responsibility system, and so forth.

The ultimate aim of reforming the circulation system is to serve the people and the four modernizations. It is hoped that through reform, we can score good economic and social results, to the benefit of consumers. This is also our aim to establish a fewer-link, open system with state-run commerce playing a dominant role, and in which various economic forms, various methods of management, and various channels for circulation coexist.

CSO: 4004/31

MAKE CORRECT COST ACCOUNTING

Beijing RED FLAG in Chinese No 8, 16 Apr 83 pp 28-29

[Article by Dai Yuanchen [2071 0954 2525]]

[Text] In order to improve economic efficiency and constantly decrease the cost of production, it is imperative for enterprises to make correct cost accounting.

What does production cost consist of? The products of socialist state enterprises, whether the means of production or consumer goods, both represent commodities. The value of commodities is composed of three parts: C, V and M. The letter C represents the value after consumption of the means of production is transferred to commodity; V is the value of the necessary labor in the consumption of human labor; and M represents the value created by laborers for society. The consumption in the production of commodities is represented by C and V, and they have to be compensated in the process of reproduction. In socialist economic activities, the means of production are purchased by enterprises as commodities and are calculated according to their price. Although labor force is not a commodity, it has to be paid in the form of wages because of the implementation of the principle of distribution according to work. In this way, price and the wages that have been paid become the basic contents of production cost. Therefore, we can say that the cost of socialist commodities is for compensating the part of the value for the consumption of animate labor and mechanized labor and the production cost of commodities is calculated in prices.

In a capitalist economy, the production cost of commodities that is paid by enterprises and calculated in price is effected by competition and is determined by the enterprises themselves. But in a socialist economy, enterprises are not in a position to decide cost by themselves. The state is in the position to define a uniform accounting standard and to define the line of demarcation between cost and net income, with enterprises implementing the uniform standard. This method is in the interest of carrying out economic activities in a planned way and making comparison. The expenditures of the cost of industrial enterprises that are defined by the state include consumption of various raw materials and semifinished products that are purchased from other units in producing commodities; fuel and motive

power; wages and additional wages; basic depreciation funds of fixed assets, overhaul depreciation funds and repair expenses; loss from waste products; expenses of commodity packaging and marketing; repair fees for simple warehouses with approval; and other expenses such as management fees, transportation fees, loss from materials and finished products, and payment for interest. The various expenses that do not belong to production cost are taken care of by capital construction investments, funds for renewal of fixed assets and funds for tapping potential and reform and various expenses.

The above-mentioned contents show that compensatory expenses can be included in production cost while the part that should be covered by net income should be excluded from production cost. But in order to manage funds in a planned way and handle economic relations with enterprises, the state has readjusted the sphere of cost expenditures. For example, loan interest paid by enterprises was previously covered by net income and this payment was considered as redistribution of enterprise profits; but in order to encourage enterprises to be concerned with and conscientiously use the loans they got, it has been defined that the expenses covered by production cost must be handled as compensatory expenses. On the contrary, the award allocated by enterprises originally had the nature of compensation; but now, award on saving is still covered by expenses. But with regard to comprehensive bonuses, the principle of combining economic responsibility with economic interest is followed and it is demanded that such bonuses be linked with enterprise profit and covered by enterprise bonus funds that are formed through enterprise profit retention. Expenses on trial-production of new products were originally compensated and were covered by production cost. But, in order to carry out planned management and realize the comparable nature of production cost, they are now allocated by the state. Through such readjustment, the production cost of the commodities produced by state industrial enterprises is still based on the value of the consumption of compensatory mechanized labor and animate labor; but in reality, there are some differences in definition and theory of actual calculation.

Production cost reflects the consumption in production by state industrial enterprises. If the cost is not true, fake phenomena will appear, whether in above-quota consumption or under-quota consumption, causing a chaotic situation in the economy. Therefore, it is very important to make correct cost accounting.

First, socialist state enterprises offset the various expenses of production cost by their own income so as to continue reproduction. Correct cost accounting guarantees that consumption in production will be totally compensated. At the same time, the net income created by the income that is higher than production cost is used in construction for developing production and in meeting needs in administration, national defense, science and culture. Therefore, if cost is not true, the actual expenditures or losses of enterprises are not included in accounting. Thus, without sufficient compensation, there will be difficulty in the circulation of enterprise capital. And as a result, enterprises will have difficulty in their business, the scale of reproduction will be decreased, or outwardly there will

be profits but in reality there will be losses, and consequently the state financial revenues will be false. On the contrary, if the expenses that do not belong to production cost are included in production cost and with compensation for surpassing quotas, the state financial revenues and the arrangement for construction in developing production will undoubtedly be affected.

Second, the purpose of socialist enterprises in carrying out economic accounting is to gain maximum economic efficiency through minimum labor consumption. Cost accounting is an important aspect of enterprise economic accounting; it reflects individual labor consumption of enterprises. It is compared to a uniform commodity price that reflects social average necessary labor consumption to determine whether the cost of enterprises is high or low and whether enterprises have profits, and the extent of the profits. Thus, cost accounting will encourage enterprises to carry out careful calculation and strict budgeting and further decrease consumption in commodity production. The total production cost of state enterprises in China is more than 200 billion yuan; a decrease of 1 percent will save more than 2 billion yuan.

Third, the cost of different enterprises in producing the same commodities differs greatly. Through analyses of cost items, enterprises will be able to acquaint themselves with their own differences and weak links and help find the example to follow and the target to catch up with and surpass, and consequently they will improve their management and work hard to catch up with and surpass the advanced level.

Fourth, theoretically, commodity price is based on commodity value. But value cannot be directly calculated and it is in fact the total of cost, tax and profit. Therefore, production cost is an important basis for determining and readjusting commodity price. If the cost is not true, it is not in the interest of correctly defining and readjusting price.

Fifth, under the situation in which commodity price has been defined and is basically stable, the competitive capability of enterprises is determined by whether their cost is high or low. Only when an enterprise's individual cost is lower than social cost and continues to be lowered, can it have strong vitality. Whether the cost is high or low is in fact an important basis for enterprises in determining such matters as the production of which kind of commodities is to be developed, what kind of technology is to be employed and which weak links are to be overcome. Viewed from the point of the whole national economy and in the process of reforming enterprises, the important basis for deciding which enterprises must be closed down or shifted to other production, and which must be supported and developed is the degree of cost. But if the cost is not true, it is difficult to make a correct decision.

At the present stage, the main reasons for failures in production cost include:

1. Loose cost management and weak basic work have made it difficult to make correct cost accounting. Some enterprises do not have fixed quota labor and

also lack advanced and rational quotas for motive power and the use of equipment and expenditures. Also, they do not have necessary procedures, systems and precise calculation with regard to the managing, receiving and returning of raw materials, semifinished products and products, their various original records and statistical reference materials are not complete, their financial accounting force is weak, and their management system is not complete. Under this situation, it is difficult to make correct accounting.

2. Social apportion has taken away a considerable amount of capital from enterprises, thus increasing their burdens. Enterprises are regarded as a "treasury" in some places and when the departments concerned do not have enough money, they spare no effort to get money from enterprises under the pretext of various kinds of apportion. Such practice has increased the burdens of enterprises and a number of expenses that should be excluded from production cost are included.

3. Some enterprises have arbitrarily included expenses in production cost that have no relation with cost. For example, they include in the cost such aspects as expenditures of capital construction, technical reforms, and expenditures of staff welfare facilities; other enterprises arbitrarily raise standards and expand the sphere of expenditures, invite people to dinner and send them gifts and arbitrarily provide "welfare products." All these have resulted in increases of false cost and failures in cost accounting. As a result, enterprises have infringed upon the accumulation capital that should belong to the state and consequently there have appeared "leakages" in state financial revenues.

There are many reasons for false production cost and, therefore, it is imperative to proceed from various aspects and create conditions for making correct cost accounting. At present, work must be concentrated on reforming enterprises in an overall way. It is imperative to constantly carry out basic work in enterprise management, form and develop systems for various technical and economic quotas, calculation and statistics, and form and develop the original records of enterprise economic activities and economic responsibility system so that the enterprises will have a reliable foundation for carrying out cost accounting. It is imperative to train and improve the ranks of enterprise financial accountants and gradually improve the professional level of the present accounting staff so as to provide an organizational guarantee for strengthening enterprise cost management. It is imperative to carry out strict social discipline, prevent squeezing cost at will, block the leakages, and support enterprises in opposing various irrational apportion from various aspects.

Enterprises must consider the whole situation, abide by law and discipline, and conscientiously follow regulations on cost expenditures. The sphere of cost expenditures is defined by the state according to the nature of cost; it represents the demand of state planned management and planned control so that there is a definite demarcation between compensation and accumulation. There may be reasons for enterprises to exceed the sphere of cost expenditures, but in doing so, they started from their own partial interests.

Partial interests must be subject to the interests of the whole, while small reasons must be subject to big reasons. Viewed from the point of individual enterprise, it seems that to include other expenditures into production cost will solve their needs, and in addition such expenditures are in limited amount. But from the point of the whole national economy, an increase or decrease of 1 to 2 percent in the production cost of enterprises means an increase or decrease of several billion yuan in state financial revenues and is related to the balance of state financial revenues and expenditures and the development of production and construction. In other words, it is related to the whole situation. Therefore, enterprises must proceed from the whole situation of the national economy, consciously abide by financial law and discipline, and protect the stringent nature of the system of cost expenditures. It is also necessary for the state to strengthen supervision and checking of enterprise cost management. All the activities by enterprises, localities and departments to retain state profit for partial interest, to make big public interest subject to small public interest, and to infringe upon state financial revenues must be stopped so as to protect the whole interest of the state and enable production cost effectively display its role as economic level so as to constantly improve economic efficiency.

CSO: 4004/31

STRICTLY ENFORCE PARTY DISCIPLINE, IMPROVE THE PARTY'S WORK STYLE

Beijing RED FLAG in Chinese No 8, 16 Apr 83 pp 30-32

[Commentator's article]

[Text] An important task for the whole party is to strive for a radical improvement in party work style as soon as possible. Strictly enforcing party discipline and improving party work style will play a great role in facilitating various kinds of reform and ensuring the smooth progress of the construction of the four modernizations.

After all, the problem of party work style is the problem of party character. So long as each of us--party members and party cadres--behaves strictly according to the new party constitution and tempers ourselves in party character so as to become qualified party members and cadres, party work style will certainly improve.

What are the criteria for the level of party character of party members and the party's cadres? In January this year, Comrade Deng Xiaoping and Comrade Hu Yaobang successively pointed out: The criteria for evaluating the correctness or incorrectness of our various kinds of work or reform should be based on whether or not they are beneficial to building socialism with Chinese character, to the prosperity of the country, and to the affluence and happiness of the Chinese people. Whether or not we can consciously evaluate our own ideology and action with these three criteria and be strict with ourselves, is also a symbol signifying the level of party character for every party member and every cadre of the party.

Why should we associate the three criteria with the party character? Because these three criteria at present embody our party's concrete program, tasks and objectives, and they are the basic principles that should be followed in all activities by our party organizations, our party members and cadres. The maximum program of our party is to realize communism--is it not the demand of the party's maximum program to build socialism with Chinese character? The general task of our party in this new historical period is to build our country into a strong and modernized socialist country with a high degree of civilization and democracy--is the prosperity of our country not a correct generalization of this general task? The sole objective of our party is to serve the people heart and soul--are the

affluence and happiness of our people not the ground and starting point for all the work of our party?

Of the three criteria, the first one--to build socialism with Chinese character--is fundamental, and signifies the direction. It is, in effect, the problem of whether to adhere to the socialist road or not. What is meant by "Chinese character" is to combine the universal truth of Marxism with the concrete conditions of our country, following our own path and with our own creations. It does not mean copying foreign experiences or foreign models, nor does it mean giving up socialist principles. If the socialist principles were forsaken, the capitalist things were blindly worshipped, and the capitalist liberalization were implemented, then the socialist undertaking would be ruined.

The present problems in party work style are, in essence, things contrary to the requirements of the above-mentioned criteria, and are also an expression of the impurity of the party character for certain party members and cadres. How can a man, who cherishes the great ideal of communism, possesses a strong party character, and has an ever-present concern about the undertakings of the party, the future of the country and the interests of the people, practice an unhealthy work style? He must have placed his interests above the interests of the party, the state and the people. Therefore, to strictly enforce party discipline and to improve party work style is, in effect, a struggle against the ideology and behavior of certain party members and cadres in violation of the above three criteria. We must view the problem from such a height.

Reform is the central link for every kind of work in our socialist modernization construction. For this, many things can emerge: economic results, speed, talented people, financial resources, and spiritual civilization. The work of reform has become a matter of great importance that has much to do with the success or failure of our overall undertaking. Therefore, to strictly enforce party discipline and to improve the party work style must be combined with the work of reform.

Our party is a revolutionary party of the working class. Leading the people to carry out revolution is our party's political obligation. Having come into power, our party has the obligation to lead the peoples to carry out reforms according to the needs of socialism, because reform means revolution, and a more intensive revolution at that. If it does not do so, our party will degenerate, and its life will come to an end. All of our party members and the party's cadres should devote themselves to reform, and maintain and develop the revolutionary spirit of daring to reform. All those new ideas and new work styles that correspond to the interests of the people and the requirements of the times should be promoted; and all those old ideas and old work styles that go against the historical task of the new period and against the requirements of the revolutionary practice should be discarded. We must strictly enforce party discipline and improve party work style in the course of carrying out the reform.

Reform and the improvement of party work style are complementary to each other. On the one hand, reform will help to further improve party work style, because the reform that we are dealing with is an intensive revolution. Not only should certain aspects and links of relations of production that are not suited to the development of the productive forces be readjusted, but also certain aspects and links of the superstructure that are not suited to the economic basis should be readjusted as well. Here is included the reform for those irrational political and economic systems, and the backward styles of management and marketing that give rise to malpractice and dishonesty in work styles. Moreover, reform also comprises the transformation of people's ideas and work styles, and people have to remold themselves in the course of carrying out various kinds of reform work. On the other hand, the improvement in party work style will facilitate and promote the reform work. We should clearly see that there are still many obstacles which hamper the progress of the reform work. The unhealthy party work style is one of these obstacles. Some people adopt an attitude of pragmatism toward the party's line and policies, carrying out promptly those orders that suit their tastes and declining those that are against their tastes. Some people even go to an extreme of doing things wantonly if these things are in their own interests, even though they may cause great loss to the state, and these people always delay the execution of orders which, though urgently needed by the state and the peoples, bear no benefits for themselves. They use their power, entrusted by the party and the people, as the capital for wanton acts and ill practice. This is a most harmful and indecent tendency within the party. Only when this unhealthy tendency is checked can the party's line and policies be implemented, and various items of reform be carried out smoothly.

The party organizations at various levels should give active protection and support to all kinds of reform work that follow the direction of socialism; and they should resolutely oppose those words and deeds that hamper the smooth implementation of the reform. In the course of conducting the reform work, if anyone is discovered to have committed mistakes of malpractice and delinquency, create confusion, organized factional activities, wasted public funds, or encroached upon public property, he should be severely dealt with. Through the strict enforcement of party discipline and improvement of party work style, various kinds of reform work should be facilitated and promoted.

It is the common wish of the whole party, the military, and the peoples of all nationalities to strictly enforce party discipline and to improve party work style, so as to realize a radical improvement in party work style. Every comrade of the whole party should do his part in fulfilling this aim. Those party members who are in leading positions at various levels should realize that they have even greater responsibilities.

Our party is a party in power. Many party members are holding leading positions at various levels in government departments and enterprises or undertakings, and they all have a certain degree of power. The problems in party work style, no matter in what form they are present, have something to do with the incorrect handling and use of power in the hands of certain

cadres who are party members. Judging from the current practical situation, the problems among the leading cadres are quite conspicuous. At present, the strongest objections of the masses are: Some people treat the units under their supervision as "manors" that can be managed by them at will; and a number of party members make use of their power to procure private interests and benefits. Although the majority of our party member cadres are good or relatively good, those who practice an unhealthy party work style are small in number, and those who violate the law and discipline are but a few, yet these people of the last two categories exert very bad influence among the masses. Furthermore, it is much more difficult to solve the problems of these people than to solve the problems of the common party members. It is precisely because some problems involve the leading cadres that they are difficult to solve and drag on, only to become serious and long-standing problems. Some leading cadres, because they are not clean themselves, have to give connivance or shelter to the problems of others, or else give up supervision or inspection. There are also some leading cadres who, although they have done nothing wrong themselves, have the idea of "planting more flowers and getting less thorns," and therefore do not wage any struggles against malpractice and unhealthy trends, evade contradictions, show weakness in tackling problems, or even give up principles and ask for leniency for the offenders. This is one of the important factors that hampers the radical improvement of party work style. It is obvious that if party work style is to be radically improved as soon as possible, the key link lies in the leading cadres. Problems are not hard to tackle if the leading cadres can match their action with their words and set a good example in rectifying unhealthy trends, in recovering and enhancing the party's good, traditional style, and in waging struggles against all the unhealthy work styles and actions which violate the law and discipline.

It should be noted that because the leading cadres are in high-ranking positions, their responsibilities and influence are greater than those of the average party members; and if they practice an unhealthy work style or violate the law and discipline, the resultant effect or influence will be much greater. Therefore, the party's organs for inspecting discipline at various levels should practice the principle of everyone being equal before the party's discipline, and should dare to take charge of the problems arising from the malpractice of the leading cadres. Within the scope of supervision set out by the party's constitution, these organs should strengthen the inspection of the leading cadres, and should solve the problems as soon as they are discovered. We should give play to the spirit of shouldering responsibilities for the party and the people, and handle matters boldly and unselfishly. With respect to all unhealthy work styles and actions in violation of discipline and law, we should proceed from the interests of the party and the people, adhere to principles, and dare to fight against the evil trends and actions without attempting to be good men who never offend anybody even on matters of principle. No matter who they are, if they commit errors, then criticism, education or punishment should be imposed as deemed appropriate. Regarding cases of party discipline, just and honest treatment should be given without consideration to factional interests of private relations. Matters handled should be based on sufficient proof and decision should be appropriate, and should be able to stand

the test of history. In order to maintain party discipline, we should never be afraid of difficulties or hindrances, and should never be afraid of offending others. In the course of adhering to the principles of the party, we may offend those who practice an unhealthy work style and violate the law and discipline, but we will obtain the trust and support of the broad masses. On the contrary, if we disregard the party's principles, we may not offend the wrongdoers, but we will offend the broad masses. The adoption of a liberal attitude toward malpractices in effect amounts to a kind of instigation to the offenders and makes them go still further along the road of blunder. Timely and appropriate criticism, education, stopping or even punishment for the offenders amounts to a kind of care or concern for these comrades. The party's organs for inspecting discipline should not only deal with cases of those party members violating party discipline, but should also conduct education for party members in strengthening party character, strict adherence to party discipline and improvement in party work style.

They should divert their efforts from attending to cases of party members violating party discipline to grasping the problem of improving party work style. As for the cases of party members violating party discipline, the organs concerned should of course deal with them, and should deal with them well. Any malpractice or malfeasance in treating these cases should not be tolerated. This is a matter of great significance which is closely associated with maintaining the seriousness of party discipline and ensuring the purity of the party organizations. At present, especially concerning those serious cases in the field of economics with party cadres involved, thorough investigations should be made and serious punishment should be imposed, without any tolerance or connivance leading to the encouragement of the evil. However, the purpose of dealing with cases does not end with punishing a few offenders; what is more important is to educate the broad party members and the party's cadres, so as to make them learn from the experiences and lessons of the cases and observe the party discipline all the better. Our party's discipline is no doubt an iron discipline, but at the same time it is a conscious discipline based on voluntary observance by the party members. Therefore, the party's organs for inspecting discipline should not be organizations solely for the purpose of imposing punishments. They should pay enough attention to educating the party members and the party's cadres with correct party character, party discipline, and party work style, so that every one of them knows what should be done and what should not be done, with the result that possible malpractices can be prevented. In short, the first thing to be done is propagation and education, and then execution of discipline should be enforced. Therefore, education should come before punishment.

CSO: 4004/33

UNFOLD IDEOLOGICAL STRUGGLE ON TWO FRONTS CORRECTLY AND IN GOOD TIME

Beijing RED FLAG in Chinese No 8, 16 Apr 83 pp 33-36

[Article by Ma Zhonglie [7456 6945 3525]]

[Text] In his report to the 12th CPC National Congress, in accordance with the characteristics of the new period, Comrade Hu Yaobang reaffirmed and stressed the ideological struggle on two fronts and clearly pointed out the basic orientation of this struggle. We must thoroughly understand and conscientiously implement it.

The Important Guarantee for Upholding the Correct Line

Our party leads the people when embarking on a glorious and arduous undertaking. However, owing to various reasons, mistakes of one kind or another will invariably arise within the party and the revolutionary ranks. Seen from a dialectical materialist point of view, this state of affairs can hardly be avoided under given historical conditions. The reason why our party is a great party lies in the fact that it can constantly overcome and correct its own mistakes through an internal ideological struggle, rather than being immune from committing mistakes.

There is a great diversity of mistakes within the party and the revolutionary ranks, but in terms of political and ideological as well as theoretical mistakes, there are only two basic tendencies, namely, the "leftist" tendency and the right tendency. The struggle against the "leftist" or right erroneous tendency means the struggle on two fronts. Correctly unfolding the struggle on two fronts is the important guarantee for upholding the CPC's correct line. Comrade Liu Shaoqi said: "Firmly carrying out the party's correct line means criticizing both 'leftist' and right tendencies. This is a basic method and a Marxist-Leninist method. If we fail to negate leftist and right errors, there will be no way to affirm the truth. To decide the truth, one must negate errors." ("Selected Works of Liu Shaoqi," Vol 1, p 406) Regarding the unfolding of the ideological struggle on two lines as the basic method for adhering to the correct line is the Marxist method of thinking, of work, and of leadership.

This method was not only effective in the period of democratic revolution, but is also entirely applicable in the period of socialist revolution and construction. Today, we are in the stage of new historical development and in the process of the political and economic systems experiencing a deep-going change. To implement the correct program formulated by the 12th CPC National Congress, it is necessary to oppose the "leftist" erroneous tendency as well as the right erroneous tendency and to carry out the struggle on two fronts. If we oppose only one tendency and do not oppose the other one, that is, if we carry out the struggle only on one front, then an erroneous tendency will obstruct and hinder the implementation of the correct line from the spheres which we have neglected and in which we have given up struggle, and will adversely affect and do harm to our cause.

We already have bitter lessons in this respect. During the period of democratic revolution, we committed "leftist" errors three times, persistently opposing "right opportunism" and the "conciliation line" and not at all opposing or allowing opposition to "leftist" opportunism which had long become the main danger at that time. As a result, the more we opposed them, the more "leftist" we became and we nearly forfeited the revolution outright. After 1957, whenever a struggle was launched, it was mostly aimed at opposing right deviation. This phenomenon of only opposing right deviation and not opposing "leftist" deviation was carried by Lin Biao and the "gang of four" to extremes during the "Great Cultural Revolution." This resulted in the fact that the more we opposed right deviation, the more "leftist" we became, and caused an unprecedented disaster. After the 3d Plenary Session of the 11th CPC Central Committee, we concentrated strength on exposing and criticizing the "leftist" mistakes, brought about a fundamental change in the situation in which efforts were made only to oppose right deviation and not to oppose "leftist" deviation, and fulfilled the historical task of bringing order out of chaos in guiding ideology. In this new situation, some comrades hold that "leftist" guiding ideology has been corrected and the "leftist" erroneous tendency has ceased to exist. The task in the future is to oppose right deviation and there is no longer any need to oppose "leftist" deviation. Other comrades maintain that we have for a long time suffered from the "leftist" mistakes and everything will go well so long as we persistently continue opposing "leftist" deviation, and they have thus lost vigilance against right things. These two arguments and attitudes are all wrong.

Why, more often than not, do some of our comrades have a "leftist" or right bias in understanding? This is mainly because they have failed to conscientiously remold their subjective world while changing the objective world. It must be noted that we are now in the period of a great and historic change and objective things are developing at a rapid pace. If we have insufficient understanding of this state of affairs and think in an ossified way or have a vague picture of the correct orientation of advance and lack full mental preparations and the sense of urgency, we will undoubtedly deviate from the development and needs of the situation. This is the cognitive root for the emergence of either the "leftist" or right erroneous tendency. Of course, it involves another situation, that is, some people remain aloof to the realization of the correct line and the

general policies beneficial to the masses and do not care about the fate of the party, the state and the people. They are preoccupied with the gains and losses of the individuals or of the minority of people and even do not scruple to infringe upon the interests of the party and the state in seeking their interests. Approaching the party's correct line, principles, and policies in light of personal or partial and local interests very often provides the ideological root for committing "leftist" or right mistakes. In view of the aforesaid two reasons, the argument that, through setting things to right, from now on there will be no need to fight on the two fronts any longer is entirely not realistic. Just as the report to the 12th CPC National Congress pointed out: "In times of historic change, people are apt to think one-sidedly because of the profound influence of old ideas and customs and because of lack of experience in dealing with new things, plus the effect of other social and political factors." This one-sidedness can be manifested by the "leftist" tendency in some people, by the right tendency in other people, or by both the "leftist" or right tendencies in different periods and on different questions in one person. Only when simultaneous attention is paid to opposing and preventing the "leftist" and right erroneous tendencies, can the implementation of the correct line formulated by the CPC Central Committee be ensured.

Since the 3d Plenary Session of the 11th CPC Central Committee, our party has made every effort to conform to objective reality in formulating and implementing a series of principles and policies and to avoid focusing on the criticism of one erroneous tendency to the neglect of another. On such major questions as the assessment of Comrade Mao Zedong and Mao Zedong Thought, the party's policy of mental emancipation, and the appraisal of class struggle at the present stage of socialism, our party has all along taken a firm stand and waged timely and appropriate struggles on two fronts--against both the "leftist" and the right deviations. On the one hand, in its effort to prevent the recurrence of mistakes that would lead to the broadening of the scope of class struggle, the CPC Central Committee has systematically liquidated the erroneous theory of "continuing the revolution under the dictatorship of the proletariat" put forth during the "Great Cultural Revolution," a theory that envisaged a continuing "revolution whereby one class overthrows another," and it has vigorously developed socialist democracy and a socialist legal system and restored and expanded our united front work. On the other hand, the party has reiterated the four basic principles centering on upholding the leadership of the party, criticized and curbed the tendency toward bourgeois liberalism and resolutely cracked down on all types of criminal activity that disturb socialist construction. In handling practical problems, we have done our best to act in the scientific and all-round way as required by Marxism. It is precisely this that has enabled us to deal fairly successfully and relatively speedily with many complex ideological problems and social and political contradictions, thus ensuring that our party and state can march ahead along the path of Marxism in times of great and historic change.

The Substance and Nature of the Struggle on Two Fronts

To wage a timely and appropriate ideological struggle on two fronts, it is necessary to have a clear idea of the substance and nature of the struggle on two fronts and draw a demarcation line between the struggle and some questions related to it. It must be pointed out that it is not necessary to indiscriminately incorporate any mistakes, tendencies, and bad things into the category of the struggle on two fronts.

First, we must make a distinction between the ideological and political struggles on two fronts within the party and the revolutionary ranks and the struggle waged against hostility and sabotage in society. The hostility and sabotage in society, such as criminal offenses and criminal activities in the economic sphere do not fall into the category of the question of "tendency" we are discussing here and, therefore, there is no question of the "leftist" or right deviation to speak of. In waging struggle against them, we rely mainly on administrative means and state laws. The struggle on two fronts is the ideological struggle waged against the two erroneous tendencies, both "leftist" and right, within the party and the revolutionary ranks. There is a principled difference between these two kinds of struggle, whether in nature or in method. They must not be lumped together.

However, this does not mean that the struggle against criminal activities in society are definitely not related to the struggle on two fronts. The various criminal activities that sabotage the socialist system are, fundamentally speaking, a reflection of the class struggle at the present stage and, more often than not, are related to the certain erroneous ideological and political tendencies existing within the party and the revolutionary ranks. The relationship between these two struggles is manifested mainly in the attitude and policy toward criminal activities: If we fail to have a clear understanding and sufficient appraisal of, and are indifferent and apathetic to them, or are softhearted and overlenient toward them and do not vigorously crack down on them, this is right deviation; on the contrary, if we have an excessively serious appraisal of them and broaden the scope of attack or pay no regard to our policies and strike reckless blows at nothing, this is "leftist" deviation. We must guard against these two tendencies.

Second, we must make a distinction between the ideological struggle on two fronts and the struggle between two lines which was excessively used during the 10 years of internal disorder. The so-called two-line struggle refers to the struggle between the correct and erroneous lines. A correct line is not necessarily destined to be accompanied with an erroneous line antagonistic to it. When an erroneous line is nonexistent, there is naturally not any struggle between two lines to speak of. Since the 3d Plenary Session of the 11th CPC Central Committee, in light of actual conditions, the CPC Central Committee has decided to cease using the formulation of the struggle between two lines. This decision is entirely correct. By a line, we refer to our party's general guiding principle of fundamental and overall importance. Only when mistakes arise in this major question,

can they form an error in line. This error and the mistakes of deviating from the party's correct line which may arise usually and at any time are not one and the same thing. Therefore, the ideological struggle on two fronts--against the "leftist" and right erroneous tendencies--can under no circumstances be equated with the struggle between two lines.

In addition, just as the erroneous tendencies which may very often arise cannot be included in the category of error in line, these erroneous tendencies also cannot be included in opportunism. There is a major distinction between the "leftist" and right mistakes and "leftist" and right opportunism. While talking about right opportunism and right erroneous tendency, Stalin said: "We are familiar with the explanation Lenin gave of the concept of deviation. A deviation to the right is something which has not yet taken the shape of opportunism and which can be corrected. Consequently, a deviation to the right must not be identified with out-and-out opportunism." ("Collected Works of Stalin," Vol 11, p 244) This inference of Stalin's is correct.

Historical experience tells us that erroneous tendencies of one kind or another existing within the party and the revolutionary ranks are invariably unavoidable and that when a tendency is overcome, another tendency may, more often than not, arise and on some occasions, another tendency has emerged before one tendency is overcome. Therefore, we definitely must not discard the struggle on two fronts just because the past indiscriminate use of the struggle between two lines or the struggle against opportunism did harm to the revolutionary cause.

Finally, we must still make a distinction between the "leftist" and right mistakes and the ordinary mistakes in thinking and understanding and not regard all ideological struggles within the party as the struggle against tendency and struggle on two fronts. All mistakes inside the party and the revolutionary ranks, including mistakes in such areas as the method of thinking and of work, the work style of the leadership, and the way of life must be corrected. Those who make mistakes must be criticized and even be denounced, if necessary, if they are not reformed. However, in order to maintain the seriousness of the ideological struggle on two fronts and to enable it to play the role of safeguarding the party's correct line, we definitely must not play with big words on small problems, declaring the day-to-day ideological work and ideological struggle as the struggle on two fronts. Of course, if a tendentious mistake arises in areas related to the party's line, principles, and policies, we must wage an ideological struggle on two fronts in a clear and unequivocal way. All unprincipled compromises and concessions in this respect can do nothing but harm to the party's cause.

The Basic Principles of the Struggle on Two Fronts

What are the principles for unfolding the ideological struggle on two fronts? The most basic principle is to proceed from reality and seek truth from facts or to determine the principles of struggle in light of specific conditions. As early as the period of democratic revolution, Comrade Mao Zedong said: "Ideological struggle on the two fronts must suit the concrete

circumstances of each case, and we must never approach a problem subjectively or permit the bad habit of 'sticking labels' on people to continue." ("Selected Works of Mao Zedong," Vol 2, p 498) He went on, saying: "In opposing the 'leftist' and right deviations within the party, we must determine our policies according to concrete conditions." (Ibid., Vol 4, p 1211) Provided that we follow and implement this basic principle, we can effectively correct and overcome the "leftist" and right mistakes and carry out the revolutionary cause from victory to victory. On the contrary, if this principle is violated, the revolutionary cause will suffer setbacks and failures. The reason for the faults and errors Comrade Mao Zedong committed later lies precisely in his violation of this principle.

The principle of determining our principles according to concrete conditions is not hard to understand, but it is not quite easy to concretely apply it to the practice of the struggle on two fronts in real earnest. In this respect, efforts are required to accurately ascertain whether or not an erroneous tendency has emerged, on the one hand, and moreover, to accurately ascertain the nature, degree, form, and characteristics of the erroneous tendency, if it does emerge. Finally, while waging a struggle, we must pay close attention to the proper limits and required standard of the struggle. This not only requires a thorough understanding of actual conditions, but also a high level of Marxist insight.

Following the 3d Plenary Session of the 11th CPC Central Committee, we criticized the "leftist" mistakes made before and during the "Great Cultural Revolution" in a concentrated way. During this period, some right things had begun to gain ground in reality but not all comrades discerned this matter. The reason for this is that these comrades were not good at grasping the complexity of the ideological conditions of the people in times of great and historic change and as a result, they lacked proper vigilance against these right things.

When both "leftist" and right tendencies concurrently exist, endeavors should be exerted to distinguish which tendency constitutes the main danger, and main energy and effort should be devoted to opposing the main tendency. However, in real life there is also a relatively complicated situation like this: Of the two tendencies, which is actually the main danger? This question is not so obvious. In this situation, we must not declare which one of the two tendencies is the main danger in a rash and sweeping way. The correct approach is to make a concrete analysis of concrete problems and to oppose what is really a "leftist" deviation and what is really a right deviation, and to oppose "leftist" and right deviations if there are any. That was the situation in a certain period of time since the 3d Plenary Session of the 11th CPC Central Committee. After ascertaining that tendency toward bourgeois liberalism had arisen, our party did not slacken its efforts to liquidate the influence of "leftist" mistakes, but instead it simultaneously opposed "leftist" and right erroneous tendencies. Facts have shown that this is entirely necessary in order to fulfill the task of setting things to right on all fronts. In accordance with the development of the situation, our party emphatically pointed out the dangerousness of bourgeois liberalism. However, the ongoing reform of the economic system

indicates that the erroneous influence of "leftist" dogmatism has still seriously fettered the minds of the people. Therefore, it is necessary to continue to do away with its influence and further emancipate our minds. Only in this way, can a new situation in socialist modernization be created.

Finally, it still must be pointed out that the decisive condition for waging a timely and appropriate struggle on two fronts is that the party's line itself must be correct. History has shown that if the party's line is not correct, it will be impossible to correctly unfold the struggle on two fronts. In the period when Wang Ming's line held a dominant position, our party failed to correctly wage the struggle on two fronts; during the "Great Cultural Revolution," our party also failed to correctly unfold this struggle. This is not accidental. The reason why our party has been able to wage the struggle on two fronts correctly and in good time since the 3d Plenary Session of the 11th CPC Central Committee lies fundamentally in the fact that the party's line, principles, and policies are correct. A correct line of the party provides the criterion for ascertaining the "leftist" and right erroneous tendencies and thus contributes to discerning all kinds of erroneous tendencies which have emerged or are emerging and also contributes to the struggle against them. Provided that we achieve an earnest comprehension of Marxist basic theories on the struggle on two fronts, get a clear understanding of the substance and nature of the struggle on two fronts, draw distinctions of all kinds, adhere to the principle of seeking truth from facts in waging the struggle on two fronts, and forge ahead long the correct orientation pointed out by the 12th CPC National Congress, we surely can wage timely and appropriate ideological struggles on two fronts--against the "leftist" and right tendencies which may possibly arise--in the practice of creating a new situation in all fields of socialist modernization.

CSO: 4004/31

A NEW TASK IN THE WORK ON CADRES

Beijing RED FLAG in Chinese No 8, 16 Apr 83 pp 37-38

[Article by Shi Youxin [2457 0645 2946]]

[Text] When promoting cadres in the future, we should, on the basis of political requirements, give first priority to cultural knowledge. This is in order to meet the needs of socialist modernization and is a new task in the work on cadres.

Generally speaking, the capacity for leadership and the cultural level of a cadre are directly proportionate. To understand and to master objective law through complicated phenomena, to act strictly according to objective laws, and to control relatively complicated situations, we have to depend on the weapon of cultural and scientific knowledge. One will become more able to observe, analyze, judge, and solve problems when one has achieved a higher educational level. Particularly today, to exercise leadership over the modernization drive, we often have to make use of the sciences (including natural science and social science) in various spheres. We have to handle, directly or indirectly, matters relating to science and technology. And on top of that, the leadership methods themselves have become more and more scientific. Cadres who lack a basic knowledge of modern science and culture, as well as essential professional skills, will find it difficult to carry out their work. Some people say that cadres who are not engaged in a specialized profession need not acquire professional skill. In fact, this is not so. No matter of what kind of work we are engaged in, if we want to integrate our party's principles and policies with the concrete situation in our own departments, we have to master the specific knowledge of the professional work and the specific law of the profession. If leaders on the economic front do not understand political economics and have only a hazy notion about economic phenomena, it will be difficult for them to effectively solve the concrete problems arising in this field. If we do not do a good job now, we may even issue haphazard orders. Cadres who are responsible for party work or personnel work should also acquire the professional knowledge needed in their own units, or they will be unable to judge cadres properly or to put them to proper use. Therefore, while promoting cadres, we should break with conventions and dare to give first priority to the knowledge of modern science and culture as a prerequisite for revolutionization.

"Do they have experience in holding a leading position?" Of course, experience in leadership is not innate. It is true that only when intellectuals are placed in leading positions can they gradually accumulate experience in this aspect. However, some intellectuals manifest a certain ability to lead and to organize when tackling scientific key problems in their day-to-day work. They can accumulate experience in leadership work through practice only when they are placed in a leading position. Generally speaking, it will take only a few years to accumulate experience in leadership work, but it will take longer to acquire knowledge. What is more important is that cadres with a higher educational level can apply advanced scientific and cultural knowledge in their practical work and can gain experience in leading the modernization drive in a shorter period of time. Of course, intellectuals holding leading positions may sometimes make mistakes. This is particularly true when they have just begun to hold leading positions. There is nothing strange about this, and it should not be regarded as grounds for opposing the promotion of intellectuals to leading positions. There can be no doubt that from a long-term point of view those who have a wide range of knowledge will make fewer mistakes than those who are not educated or who lack knowledge.

Some people worry that intellectuals holding leadership positions will "get cocky." We should make a concrete analysis of this issue. One situation is that some people are used to judging intellectuals by old standards and always consider that intellectuals should be the targets of criticism or at least targets for "remolding," and that they should lower their heads with an appearance pleasant to the eye and "conduct themselves with their tails tucked between their legs." When they see that the intellectuals have become masters of the country and that they not only "stride forward with their chins up, but also have a say in matters of right and wrong" and even exercise leadership over them, they feel that everything is not to their taste. So they insist that "the intellectuals are getting cocky." This is actually a false impression. The reason for this impression lies in the fact that those who have been affected by the leftists' influence have not yet changed their attitude toward intellectuals. Another situation is that when newly promoted intellectual cadres are bold in creating things new and in sticking to their correct viewpoints, they are branded as "getting cocky," and this situation is even worse than the first one. Of course, it is possible for some intellectuals really to become arrogant and self-satisfied. Just as many of us have shortcomings, there is nothing strange about it. When this occurs, we may correctly lead them and wholeheartedly help them overcome it.

To become mature, new intellectual cadres need the help of veteran cadres who can pass on experience, give assistance, and set an example while training them. Veteran cadres should set the general interest of the revolution above everything and gain a clear idea of the necessity and urgency of promoting intellectuals. Many leading cadres are farsighted and broad-minded and know how to choose the right person for the right job. A number of intellectuals have, with the help of veteran cadres, been promoted to leading positions, so that the leading bodies have enhanced their ability and begun to meet the needs of the modernization drive. This is a good

beginning. Our veteran cadres should foster public spiritedness and overcome selfishness, contribute their share in promoting professional technical cadres and in making proper use of them, as well as taking the initiative in supporting and enthusiastically helping them in their work.

There are many areas of necessity in our modernization drive about which we lack knowledge. The issue of intellectuals is one of them. Now we begin to understand the importance of this issue and we have adopted some effective measures. But can we say that we have understood it clearly? No. People can only deepen their understanding step by step. It is also not easy for us to carry the policies of the CPC Central Committee through to completion. We are just beginning to grasp the problem of how to adopt a correct attitude toward intellectuals and how to make proper use of them. To act with undue haste will lead to waste. However, this issue undoubtedly needs a thorough solution.

CSO: 4004/33

DIFFERENCE BETWEEN VARIETY AND STRESS IN SUBJECT MATTER

Beijing RED FLAG in Chinese No 8, 16 Apr 83 pp 39-40

["Literary commentary" by An Liangwen [1344 5328 2429]]

[Text] The problem of subject matter occupies an important position in literary creations. Writers, before entering into the creation or writing process, first of all meet with, and contemplate on, this problem of "what to write about."

Popular literary creations must on the one hand firmly insist on the direction of serving the people and serving socialism and on the other hand carry out the guidance of "letting a hundred flowers blossom and a hundred schools of thought contend." In this way, the literary productions will catch up with the times and will reflect from various angles the different phases of social life, and there will be more and better productions which will enrich the people's spiritual life.

Our life is one of much splendor. It is multicolored--red, orange, yellow, green, blue, purple and so on. In this garden of a hundred flowers, literary productions, as reflections of life, should also depict spring-time scenes with flowers blossoming and the singing of birds. It is hardly conceivable that the use of one color or the singing of one tune can depict in full our life of much splendor. Lu Xun put it well: "If the four seasons were all spring and all through the year you could see cherry blossoms, can you imagine how tasteless and dull this would be! Even if the cherry flowers were as big as wheels, they might frighten you on first sight but you would hardly compose a poem on them every day." ("Hua Gai Ji (continued)--Letters From Hsiamen, Book 2") The subject matter of literary productions should encompass as much as life itself. It is for this reason that we criticize the "antisubject matter" theme of the "gang of four," and are opposed to their setting up various "forbidden zones" on the question of subject matter. We feel that in this way we have opened up a broad road for literary creation and a large variety in subject matter has become an important landmark of thriving socialist literature of the new era.

However, does this indicate that there is no difference between subject matters? Certainly not. Matters in life can be big or small and their social significance can be trivial or important. We advocate variety in

subject matter and at the same time encourage writers to write on big and important subjects. This not only conforms to the law governing the development of literature but also helps in enabling our literature to better reflect life's varied stances in this new historical period and to eulogize the emergence of socialist new personages to take up the heavy burden of establishing socialist spiritual civilization. In recent years, our scholars and writers have made great efforts in this arena and have created a large number of superb productions embodying big and important themes reflecting the great historical changes of the new era. All types of subject matter have scored new breakthroughs and developments, be they on plants, or the countryside, or the armed forces, or intellectuals. Our literary creations are no longer confined to the reflection of "past wounds" or to reminiscences of the past. Rather, they have entered into the stage of describing the contradictions and conflicts surrounding the reforms and counterreforms on the various fronts in modernization construction. Among them are many excellent compositions which have brought up many thought-provoking themes. They have performed an important role in promoting reforms in various aspects and have been well received by the broad masses of readers.

Some comrades are opposed to encouraging writing mainly on big and important subject matters, contending that differentiating subject into big or small, light or heavy, may "restrain" the variety of subject matter. This viewpoint not only fails to conform to reality but also impedes the development of literary creation. Literature is the reflection of life. Though both occur in daily life, contradictions in modernization construction and family quarrels between husband and wife, when compared with each other, are basically different in both nature and significance. In selecting materials for writing from daily life, writers cannot but ponder on their significance and on whether or not they are worth writing about. Not all big and important topics are alike or of the same color. On the same subject matter, a variety of compositions may be written. What we commonly call "the subject of industry," "the subject of agriculture," "the subject of military affairs," "the subject of intellectuals," and so on, refers to the general concept of subjects. A certain specific work may have derived its materials from a certain phase of life therein but this does not mean that subject matter is confined to only these few kinds. The subject matter of a specific work constitutes a string of life's phenomena which the writer selects, refines, processes and edits to form the work. Within the same sector of life, writers can from different angles and different sides select the subject matter and turn out productions of varying colors or forms. Take Jiang Zilong's case for example: His works, such as "Plant Chief Qiao Takes Office" and "Colors of the Rainbow" were all descriptions of life in factories. As for the group of new personages which he created in his writings, who were called by other people members of the "developer's family"--each and every one of them had a clear individual character but all of them were potentially alike. Among his many works, no two of them can be said to have the same theme. It can thus be seen that under the logical premise of advocating variety in subject matter, encouraging the writers to write more on subject matter with important and great social meaning or significance not only does not restrict variety in subject matter

but also widens the road for creations and makes the field of subject matter even richer.

Naturally, the ideological significance and the aesthetic value of a work are not determined by its contents, or by the subject matter being "big or small." They principally depend on how the writer goes about the writing job, in other words, on the writer's stand, his ideological level and his cultural accomplishment. It must be admitted that as a result of breaking through the impediments imposed by "leftist" thought on literary productions, the productive force of literature has been fully developed and in recent years, concurrently with the appearance of many works covering big and important items, a number of works on minor subjects have also emerged. The latter have generally touched on daily affairs of life, anecdotes and old narratives, but still possess certain aesthetic value. They have likewise been well received by the reading public. People need works of a fighting nature to stimulate their enthusiasm for labor and their fighting spirit. But after work and in their spare time, they still need some enjoyment. This kind of work can give people aesthetic pleasure, help them to relieve their feelings, cultivate their character and increase their knowledge. They certainly deserve further development from now on. Yet, just as our socialist economy must develop in a planned and proportionate manner, so in our socialist literary works, subjects must follow the order of some being primary and some secondary. If the proportion of the kind of works with secondary subject matter as mentioned above is so heavy as to become a prevalent practice, and works on big and important subject matters are relegated to a secondary position, then the possibility of a proportionate imbalance may arise. Therefore, our task should be to give works on important themes suitable encouragement as a measure to enrich and bring prosperity to our socialist literature. If writers who have turned out works with important social influence can occasionally write on light and refreshing topics and provide people with articles for healthy enjoyment, they will surely be welcome by the readers. Nevertheless, readers still hope that the writers will turn their attention to creating in their writings socialist new personages and to presentations reflecting changes in social life in this new era. Needless to say, there are among us comrades and writers who lack a correct understanding of this problem, who have no interest in the restructuring topics of life which stir many peoples' minds, and who have so disregarded these current developments as to devote their time and effort to depicting and writing on the trivial things of life. They seemed to believe in "storms in teacups," that their works possessed permanent value and that the subject matter of their works all constituted "new revelations." As a matter of fact, nothing new could be found in their output, except perhaps what had been cast aside by second- and third-rate writers of the 1920's and 1930's. Some of their productions were on such fantastic themes as "threat from space," highly abnormal psychological behavior as the amorous feelings of father to daughter, and cheap literary renditions intended to arouse undue sentiments of fear among the common people. Aside from a very unhealthy atmosphere, their writings have brought to the reading public nothing new.

"Be strict in selecting the subject matter and thoroughgoing in tapping the potential contents." This is an adage which Lu Xun gave us as everyone knows. Lu Xun expressed his deep displeasure with writings on trivial affairs that were meaningless. In his well-known article "Message on Topics for Fiction" which he wrote in reply to a query from two young writers, he cautioned them "never to gather together trivial and meaningless stories, write them up to form a whole article and thus amuse themselves as having turned out a rich and creative literary production." Lu Xun's words still carry weight up to the present time. China's history has already entered into a new era of all-round construction for socialist modernization. Rapid and extraordinary changes have taken place in life. Socialist new personages have continuously emerged, like waves which ceaselessly rise one after another. How is it possible for our literary writers to confine their writings to trivial affairs of life and "teacup storms"? True, in order that literary creations may positively depict reality and not escape from reality, writers must devote hard and real work to the task and this is not so easy as picking up trivial affairs of daily life. And composing certain unbelievable anecdotes on foreign lands or old or ancient narratives could save much effort in going deep into life and learning from the social order. Fortunately, a literary writer who is ambitious and is determined to serve the people and serve socialism will not want to take this shortcut. It is absolutely necessary for us to plunge into the rising restructuring waves on the various fronts, join with the new masses of the new era, closely watch the movements of the era and the movements in the new era, and from among the red hot struggles select subject matters which have big and important significance and turn out creations worthy of our times.

CSO: 4004/33

STUDY COMRADE CHEN YUN'S WORKS PUBLISHED DURING THE PERIOD AFTER THE
FOUNDING OF THE COUNTRY

Beijing RED FLAG in Chinese No 8, 16 Apr 83 pp 41-45

[Article by the RED FLAG Theoretical Education Editorial Office; passages
within slantlines published in boldface]

[Text] Foreword

During the period from 1949 to 1956, we successfully fought against the serious economic difficulties at the initial stage of liberation, which were associated with the destruction caused by a longstanding war, and afterward, in conjunction with the victory won in the war to resist U.S. aggression and aid Korea, recovered and developed the national economy and gained a radical improvement in the financial and economic situation. On the basis of this, large-scale construction of the First Five-Year Plan was conducted, and the socialist transformation for individual agriculture, the handicraft industry, and capitalist industry and commerce was carried out in an orderly way. In this way, we laid the basis for the gradual realization of industrialization and for the construction of socialism. This period was one of the best periods in economic work since the founding of the country. In this period, Comrade Chen Yun, as one of the principal leading members in the CPC Central Committee, was in charge of the national economic work. In accordance with the correct line and policies of the CPC Central Committee, he personally drafted many important documents and speeches at important meetings, made profound and brilliant expositions of the economic work, put forward many practical suggestions and measures, and vigorously directed the recovery and development of the economy. His works record the great achievements and brilliant success of that period, which were attained after strenuous struggles, and reflect and sum up the guiding ideology and rich experience in the economic work of that period.

The 12th CPC National Congress put forward the program for struggle in creating an overall new phase in the construction of the socialist modernizations, and set the construction of a modernized economy as a primary task. In order to fulfill this great historical task, and on the basis of the practical situation of China, we must follow the road of building socialist modernization with Chinese features. This requires us to earnestly sum up historical experiences, respect and adhere to the views and ideas which

have been proved correct by practice, supplement and develop these views and ideas according to new conditions, and put forward new policies and measures to give guidance to the economic work. The series of views and proposals in terms of economic problems, set out by Comrade Chen Yun during the period from the founding of the country to the year 1956, are still of practical significance for the current economic construction. These viewpoints include, for instance, the following: Strengthen the power of the state-run economy and consolidate its leading position, and at the same time, develop diversified forms of economy, including a small amount of individual economic forms; large- and medium-scale enterprises should adhere to centralized production and marketing, while small-scale enterprises should, for the most part, practice scattered production and marketing; finance and economy should be put under centralized and unified management, and with this prerequisite ensured, the initiative of the local units should be mobilized to "cater for the concrete conditions of different regions"; in dealing with economic problems, the overall situation should be carefully considered first, and then, attention should be paid to the correct handling of the relationship between the overall situation and the local situation; various economic measures should be adopted to handle well the relationship with the peasants, and the development of agriculture is of primary significance; the ratio relationship in economic construction should be based on the concrete conditions of the country, and good ratio relationship amounts to good balance; in dealing with the economy, attention should always be paid to effecting the balance of material demand and supply, the financial revenue and expenditure, and credit facilities; utilize the production techniques and useful management experience of the capitalist enterprises; pay enough attention to, and bring into play, the function of the intellectuals; expand the circulation channels and promote the circulation of commodities; stabilize the commodity prices, and carry out economic construction on the basis of basically stable commodity prices; practice economic accounting, and carry out strict economy, and so on and so forth. All these viewpoints and ideas of Comrade Chen Yun's not only facilitate further summing up the historical experience of our economic work, but also bear important significance in directing the current economic work. At present, we are intensively studying the documents of the 12th CPC National Congress, and we should combine this important study with the study of Comrade Chen Yun's works.

During this period, the work that Comrade Chen Yun did was enormous. Briefly, what he did may be summarized as follows: He directed three great "campaigns" which played a decisive role in recovering, restructuring and developing the economy. The first thing was to unify finance and economy and stabilize the commodity prices; the second thing was to effect centralized purchase and centralized sales for several main agricultural products, such as grain; and the third thing was to carry out socialist transformation for the capitalist industry and commerce. Moreover, he took part in sponsoring the formulation of the First Five-Year Plan. The important decisionmaking on all these work items was reached after collective discussions. Therefore, his main economic viewpoints and experiences in economic work consisted of the results of his investigations and the collective study and wisdom. In order to learn and make use of his main economic

viewpoints and experiences in that period, we are now going to discuss how to study his works according to his division of three great "campaigns."

I. On Unifying Finance and Economy and Stabilizing Prices

Unifying finance and economy and stabilizing prices were the first important things dealt with by Comrade Chen Yun when he took charge of the economic work after the founding of the country. His works in this respect are quite abundant. The main features of his articles and speeches consist of the following: In accordance with the decisions and policies of the CPC Central Committee, and with due attention to the difficult situation in finance and economy at that time, he put forward a series of feasible guidelines, policies and measures to unify finance and economy and stabilize the commodity prices, so as to direct the recovery and development of the economy. In order to facilitate discussions, the two problems--unifying finance and economy and stabilizing prices--will be dealt with separately.

In studying his theory on stabilizing prices, we should grasp the following four points:

/1. The main causes of unstable prices at that time, and the principal guiding ideology and measures to solve this problem./

At the initial stage after the founding of the country, we confiscated the bureaucratic capital and thus grasped the lifelines of the national economy. But what we got hold of was an awful mess: The economy was in a very bad state and there were lots of difficulties on the road to recovery, while the state's expenditure was constantly increasing. At that time, the war of liberation had not ended completely, and the military expenditure was enormous, amounting to over one-half of the total financial revenue in 1949 and to 41.1 percent in 1950. At the same time, we adopted a policy of "overall acceptance" toward a very large batch of personnel originally employed by the KMT government. Thus the number of persons that needed the care of the state, with the military and government personnel in the liberated areas included, amounted to about 9 million. And the revenue of the state was far from satisfying the needs of the expenditure because of the effect of the war and the imperialist economic blockade, the impossibility of recovering, within a short period, the capital which was invested in developing production and normalizing communications, and other causes. As a result, a major portion of the expenditure had to be satisfied by issuing more currency, and the amount of Renminbi issued increased greatly. Take the end of 1948 as a statistical basis. By November 1949, the amount increased by about 100 times, and by February 1950, the amount increased to as much as 270 times compared with the statistical basis. This was the main cause leading to the continuous rise of commodity prices. Of course, the speculation of the bourgeois merchants expedited this process.

In order to stabilize the commodity prices, the amount of Renminbi issued had to be controlled, production normalized as soon as possible, revenue increased, a great amount of important materials had to be brought under control, and economy had to be practiced. This was the guiding ideology at

that time. For this purpose, Comrade Chen Yun put forward a series of effective measures consisting mainly of the following: 1) The state should take control of the power of issuing currency, and the amount issued should be tightened. 2) The state should unify the financial revenue and expenditure, strengthen tax collection, and issue bonds; it should utilize the lever of credit facilities to absorb the social floating money, and have a good grasp of the granting and recovering of loans, so as to control the monetary market. 3) The state should control the purchase and sales of grain and its transfer, and strengthen the work of collecting grain which should be delivered to the state as tax, so as to have a great quantity of grain in the state depot. 4) Efforts should be made to control the supply of coal, cotton yarn and cloth, and salt. 5) The work of supply and marketing should be developed so as to normalize production in the factories and the circulation of commodities. 6) The purchase of agricultural by-products should be strengthened, so as to enrich the supply of daily necessities in the market, and to expand the sources of tax. 7) Transportation facilities should be strengthened, so as to expedite the circulation of commodities to a greater extent. 8) Market management and control should be strengthened, and speculation activities should be shattered. 9) Organizations should be restructured, and the number of working personnel should be reduced, so that expenses could be correspondingly reduced. Other measures were also taken. Because of the adoption of these measures, the materials in the hands of the state increased considerably, and the market prices began to stabilize.

/2. The basis of stability of commodity prices is the realization of balance in three aspects./

A series of important measures put forth by Comrade Chen Yun in achieving the stability of commodity prices focused on the idea of seeking balance in revenue and expenditure, balance in loan and repayment of credit, and balance in the supply and demand of goods and materials. The realization of balance in these three aspects is the basis of stability of commodity prices; and instability of commodity prices often starts with the loss of balance in these three aspects. When there is an imbalance in revenue and expenditure, deficits appear; when imbalance appears in the loan and repayment of credit, when there are more loans than deposits, you will be pressed to issue more currency in either case, resulting in inflation and the rise of commodity prices. In the case of imbalance in the supply and demand of goods and materials, when demand is greater than supply, that is to say, social purchasing power exceeds the existing amount of goods and materials, it will also result in the rise of commodity prices. Therefore, the control over the issue of currency and the grasp of goods and materials play important roles in stabilizing market prices. During that period, measures to control the issue of currency were taken through strengthening the revenue of taxes, issuing state bonds and absorbing floating capital from society; and measures to control goods and materials were taken through compulsory collection of agricultural tax paid in grains, centralizing the control of cotton fabric, coal and salt and taking a firm grasp in purchasing agricultural and sideline products. Comrade Chen Yun attached great importance to the work in these two aspects. He emphasized that to

to stabilize the market and to control commodity prices, the chief measure was for the state to grasp a sufficient amount of grains and cotton fabric in its hand. The grasp of grains would stabilize the cities, the grasp of cotton fabric would stabilize the countryside, and this would in turn stop the trouble made by capitalists who engaged in speculation and profiteering. In early 1950, the state had in its control a large quantity of grains; the state-owned commercial departments had control of 30 percent of the supply of cotton yarn, 50 percent of cotton fabric, 70 percent of coal and 66 percent of salt. This enabled them to deal blows at speculation and stabilize commodity prices by selling chief commodities in big quantities.

/3. The stability of commodity prices is a matter of importance, which has a bearing on the national economic construction and the direct interests of the masses of people; it is an important principle that must be adhered to for a long period./

Not only did Comrade Chen Yun put forward the idea of stabilizing the market and controlling commodity prices during the severely hard times in the economy, but he persisted in this important principle when things changed for the better and a new situation appeared.

In June 1950, at a time when the economic situation of our nation was changing for the better, U.S. imperialism started its armed invasion of Korea and openly occupied our territory of Taiwan. The people of the whole nation set off the campaign to resist U.S. aggression and aid Korea, protect our homes, and defend our country. Comrade Chen Yun advocated that work in finance and economy should, subject to the needs of the war to resist U.S. aggression and aid Korea, have priority over all work; next came the stabilization of market prices, and third place went to the expenditures for economic and cultural construction. And this is what was called, at that time, the policy of "resistance, stabilization and construction at the same time." As pointed out by Comrade Chen Yun: "Expenditures in national defense, stabilization of the market, and economic construction are all important; however, there is a limit to our money and it will not do to issue currency without restraint. Therefore, it is necessary to make an appropriate arrangement for our expenditures. If it is not properly done in the arrangement of the order of things, if no difference is made between what is primary and secondary, errors will be made."

Why is it that the stabilization of market commodity prices was placed before the expenditures of economic and cultural construction? According to Comrade Chen Yun's view, it was because the stabilization of market commodity prices not only had a bearing on the interests of the whole body of the masses of people, but was also the result and embodiment of the balance in revenue and expenditure, the balance of loan and repayment of credit, and the balance of demand and supply of goods and materials. The balance of these three aspects was the essence of development in proportion required by a planned economy. In other words, the question of commodity prices reflects the relationship between the state and the masses of people, involves various aspects of economy, and is the condition and foundation of national economy and a sense of security of the people. If this question is

not properly handled, it will inevitably cause a stampede in the smooth progress of economic construction, do harm to the direct interests of the broad masses of people, and affect the stability of the political situation. This is not just a question of economy but also one of politics. We cannot give enough attention to this question. Therefore, it has always been Comrade Chen Yun's advocacy that the stabilization of commodity prices be placed in an important position in economic work and be an important principle for our party to persist in for a long period.

/4. Link historical experience with current practice, further promote the understanding of the importance of the stability of commodity prices./

Price fluctuation was serious before the founding of the PRC and during the early stage of its establishment. There were four instances of prices skyrocketing in April, July and November of 1949 and in February 1950, which strongly affected the living standard of the people and the recovery of the economy and social order. Owing to the series of measures taken by Comrade Chen Yun under the leadership of the CPC Central Committee, commodity prices were stabilized. This not only dealt a blow at the capitalist speculation forces but initially readjusted commodity prices and laid a foundation for the recovery of the economy; moreover, it set the people's mind at rest. Eventually, the prestige of our party among the masses of people was greatly raised. In less than a year, our party had ended the situations created by the rule of the KMT reactionaries of long-term skyrocketing of prices, languishing of the economy, and dire poverty of the masses, and had powerfully refuted imperialists and reactionaries for their slanders on the new regime.

In the past 30-odd years, despite various mistakes and errors in our economic work, our nation has, after all, established an independent and comparatively complete industrial system, there has been great development in the production of industry and agriculture, and there has been some improvement in the livelihood of the people. The achievements are great. This is closely linked to our persistence in implementing the policy of stabilizing commodity prices. Without a basic stability of commodity prices, our economic construction will certainly fail to proceed smoothly. Experience has proved that all our economic work, including the reformation of the system of economic management, the reformation of the system of administration of commodity prices, and the adjustment of commodity prices, must call for ensuring the basic stability of commodity prices.

At present, unreasonable phenomena are universal in the price relations among various commodities. The problem of price departing from value is conspicuous. Reforms in the price system must be carried out. However, conditions for an all-round reform are not ripe at present, and it is only possible to carry on some readjustment in a few extremely irrational commodity prices, raising the prices of some while cutting down others. Such readjustments must be carried out under the premise of ensuring a fundamental stability in the general level of market prices. As to commodity prices, they must be placed under the unified management of the state. It is not allowed for each to go his own way, to pursue interests for one's own

department, unit, or enterprise by raising prices, not to mention raising prices in a disguised way by doing shoddy work and using inferior material, substituting articles of inferior quality for superior ones, or underweight selling, all of which will injure the interests of the broad masses of consumers. At the same time, practical measures should be adopted to control the issuance of currency, for instance, through strengthening the revenues of taxes, resolutely putting a stop to illegal acts of evading payment of taxes and collecting all payments of taxes that should be levied so as to fill the state treasury; also, issuing state treasury bonds so as to gather part of the capital not in current use from various localities, departments, units and individuals for the concentrated and unified use of the state, and so on. In short, we must do our best to increase revenue and save expenditure so that conditions will be favorable for cutting down the issuance of currency and for the stability of commodity prices. On this question, Comrade Chen Yun mentioned in 1950 that in order to keep the balance of revenue and expenditure, it was wise to adopt the method of "peeling radishes" in expenditure and the "milking" method in revenue. This is still of important, realistic significance.

In studying the discussions on the unification of finance and economy, the following four points are to be mastered:

/1. Why is it necessary to unify the management of finance and economy?/

In the 12 years from the anti-Japanese war to 1949, the finance and economy of various areas under the leadership of our party were managed separately. Each area had its own currency and its own management of revenue and expenditure. There was only one aspect that was unified, and that was the unification of policies. It was only 1 or 2 years before the founding of the PRC that various liberated areas were able to allocate and transfer small amounts of military articles and goods and materials among themselves. This policy of separate management suited the isolated conditions of the liberated areas then, and achieved remarkable results. In the winter of 1949, unification of currency in areas inside Shanhaiguan was achieved; nationwide remittance and transportation were unobstructed. This provided the necessary conditions for the practice of fundamentally unified management of finance and taxation, requisition of grains by purchase, and trade, and the management of enterprises. Under such circumstances, if separate management of finance and economy was to continue and fundamentally unified management was not carried out, great harm would result. At that time, a large part of the expenditure of the state relied on the issuance of currency, and this responsibility was borne by the central people's government, but public grain and tax revenue were, for most part, managed by various localities. Referring to the phenomenon of a lack of unification in finance and the disjointed relation between organs of revenue and payment, Comrade Chen Yun pointed out in his work "Why Is It Necessary To Unify Financial and Economic Work": "If state revenues are not used in a unified way, if expenditures of the state have no unified system to abide by, and do not observe the principle of practicing saving, and the cash in hand is not fully used, the results will naturally be the waste of financial power and the stepping up of inflation. This will not only do damage to the war

effort and the supply to military and government personnel, but also will be injurious to the national economy and the people's livelihood." The move from separate operation to unified operation would cause the localities some difficulties, but the difficulties would be small, and the damages small, too; otherwise, difficulties and damages would both be great. Compared with the difficulties caused by the monetary confusion and the great disorder of commodity prices resulting from the continuous lack of unification in the financial and economic operation of the whole nation, the difficulties of the localities would be much smaller in degree and the unfavorable results much less. Therefore, Comrade Chen Yun pointed out that it was necessary to bear small difficulties to avoid great ones. And it was obligatory to observe the principle that the part must be subject to the whole, and the localities must be subject to the central government.

/2. Essence of the unification of finance and economy./

In order to adapt to the unified condition in territory, transportation, exchange in goods and materials, and currency system inside Shanhaiguan at that time, Comrade Chen Yun pointed out: "It is necessary for financial and economic work to march from basically separate operation to basically unified operation." There were three aspects in its essence: First, the unification of revenue and expenditure of the whole nation. This was to gather the major portion of state revenue under the central government and spend it focally on the chief expenditures of the state, ensuring the balance of revenue and expenditure. This was the most vital point. Second, the unification of distribution of goods and materials throughout the whole nation. This was to concentrate scattered important goods and materials under the control of the state, such as grains, cotton fabric, industrial equipment, and so forth, so as to ensure supply of the market. Third, nationwide unified management of cash. This was to enable the People's Bank of China to exercise the unified management and concentrated dispatch of cash scattered among enterprises, organs, and troops. In this way, the overabundance of currency in society could be avoided and the amount of cash able to be used by the state greatly increased. The three points mentioned above all had the common aim of utilizing financial and material forces in concentration, so as to strive for the realization of the balance in revenue and expenditure, supply and demand of goods and materials, and loan and payment of cash. There was a fundamental difference between the basically unified management and the basically separate management in the past. However, unified management did not mean completely writing off separate management, lessening the responsibility of the localities, or slackening the initiatives of the organizations at lower levels. Comrade Chen Yun indicated that after unified management was carried out, factors of separate management would still remain. There were still quite a few of these factors. Organizations at lower levels would still bear very great responsibility. They should by no means think that as there was unification of operation from above, organizations at lower levels would no longer bear responsibility or stop bringing their initiatives into play.

6. It is necessary to adopt a stand of viewing the situation as a whole in the unified operation of finance and economy./

The unification of finance and economy is not a question of partiality, but a matter of overall importance. Comrade Chen Yun reminded all comrades doing financial and economic work that they should heighten their conscientiousness, establish the concept of viewing the situation as a whole, and refrain from taking a partial view, or practicing departmentalism.

To acquire the concept of viewing the situation as a whole, it is necessary to start from the interests of the whole, make unified planning with due consideration for all concerned, and coordinate all activities of the whole like pieces in a chess game. In his work, "Financial and Economic Workers Should Heighten Their Conscientiousness," Comrade Chen Yun said: "The material and financial power of the state should be used appropriately. By appropriate, we mean solving well the problem of their utilization, whether early or late, more or less, preferential and urgent or otherwise. And this calls for the concept of viewing the situation as a whole." Financial and material power of the state should not be used equally. Key items and aspects must be ensured. This is because the various aspects that constituted the whole are each occupying a different position, each plays a different role in the national economy, and the requirements which the state sets for each of them are somewhat different as well. Only by starting from viewing the situation as a whole and handling problems of finance and economy in order of importance and urgency, will it be possible to achieve better economic results. For example, energy resources and transportation were the weak links in the national economy at that time. The development of many economic departments was determined by these two factors. If they were not focused on, if no financial and material preference was given to them, in doing a good job to develop them as quickly as possible, the development of the national economy would be affected. In his work "Readjust the Relation Between the Public and the Individual and Rectify the Revenue of Tax," referring to this situation, Comrade Chen Yun said: "Under the present circumstances, it is only possible to make investments on key industrial projects, giving priority to solving the problem of oil. And the problems of electric power, railroads and others will also be solved in the future." But later, for various reasons, the correct opinion of Comrade Chen Yun was not well implemented, and these weak links remained to be consolidated. It was not until the 30th Plenary Session of the 11th CPC Central Committee, when the readjustment of the national economy was carried out, that things have gradually changed. In September last year the 12th CPC Central Committee listed energy resources and transportation as strategic stresses in the plan for short-term development of the national economy. This is determined by the order of importance and urgency, the actual situation, and the concept of viewing the situation as a whole in the national economy.

To adopt an overall point of view, it is necessary to handle well the relation between the part and the whole. The whole should take into consideration the part, but the part must be subject to the whole. There are things which are favorable and not feasible. Under such circumstances, the part is

required to be subject to the whole; by no means should we let the interests of the part obstruct our view of, or affect, the whole. Comrade Chen Yun put forward the idea that in management, it was necessary to persist in the principle of "giving preference to the larger public and the smaller public next," and said to the financial and economic workers: "We must examine our work by placing it within the scope of the whole nation. If we find our actions not in harmony with the tasks of the whole nation, we should correct ourselves the moment we become aware of it. Otherwise, we will be asked to make a self-criticism in front of the people a few years from now." Historical experience has proved that the correct handling of the relation between the part and the whole should always be a question deserving great attention in economic construction. For a long time, there have appeared many occurrences of an overextended frontline of capital construction--carrying on construction in a big way in a large number of places and enterprises. The expansion of capital construction may be beneficial to some place or enterprise, but when various places of the nation are expanding, it will result in the overdispersion of capital, materials and construction force, and the slow progress in construction and failure in the formation of production power over a long period of time. And even though they are established, their production power will fail to be brought into full play and bring about severe waste, as a result of failure to meet the new situation in the production of raw materials--especially in the construction of energy resources and transportation. Therefore, this will not be beneficial to the whole, and in the final analysis, not beneficial to the part. In early December last year, in discussing the question of a long-term plan for economic construction, Comrade Chen Yun indicated that in order to create the condition for faster development in the next 10 years, it is necessary for the central government to appropriately gather a sum of capital for strengthening the weak links of energy resources, transportation, science and education, and for ensuring the construction of key projects. This is a big revolution, a big construction, starting from the interests of the whole. Of course, small revolution and small construction projects should also be carried out in the localities, but it is necessary to give primary consideration to the big revolution and big construction, for this also means making the part subject to the whole. Otherwise, if no difference is made between big and small, if everything is made to go at the same time, the state will fail to manage them all. And this requires us to firmly adopt an overall point of view and overcome the partial point of view and departmentalism.

When promoting an overall point of view, we do not mean to dismiss the idea of bringing into play the initiatives of the part. Comrade Chen Yun has time and again pointed out that under the condition of unified management we must suit measures to local conditions, and the localities should be given appropriate authority of maneuverability. In "Overcome the Mistakes and Errors in Financial and Economic Work," he indicated: "China is such a large country, and things are so complicated in the localities, that it will be impossible to be too strict in unifying and it should not be done." The maneuverability and independence of the localities and enterprises under unified management is a necessary condition of making the economy lively. It is regrettable that this correct opinion of Comrade Chen Yun was also not

satisfactorily carried out. In dealing with the relation of the whole situation and the partial situation, there arose the malpractice of over-centralization and overstrict unification, resulting in the lack of due independence and initiatives in the localities and enterprises, and the activeness of the economy was affected. Since the 3d Plenary Session of the 11th CPC Central Committee, primary reforms in the overconcentrated economic management system have been carried out, authority of the localities and enterprises has been expanded. This has promoted the development of the economy. In continuing to carry out the principle of readjustment, restructuring, reorganization and upgrading, we should further study the related works of Comrade Chen Yun, do a good job in handling the relation between the overall situation and the partial situation, bring into full play the initiatives of the central government, the localities, departments, enterprises and the workers, and organize them in a scientific way, so as to make them play their most effective roles.

/4. The great significance of the unification of finance and economy./

The idea of Comrade Chen Yun on the unification of financial and economic management was an important decision in the economic work at that time; it played an important role in stabilizing market prices and the livelihood of the people, in overcoming financial difficulties, and in the recovery of the national economy. The effects and far-reaching significance of the unified management of finance and economy have gone far beyond the realm of the economy. It was also an important guarantee for the unification and stability of the political situation of the whole nation.

The guiding idea of Comrade Chen Yun on exercising unified management on finance and economy is still of great realistic significance to our socialist modernized construction today. In carrying out planned economy in our country, the chief economic activities should all be brought into line with the state economic plan. Only when unified management of finance and economy is carried out, will we be able to effectively carry on our construction and ensure the completion of the economic plan in accordance with the conditions of the financial, material and manpower needs of the nation and the needs of construction, in order of importance and urgency, in synthesis and balance, and in unifying dispatch. In order to realize the strategic aim, steps and stress of the economic construction formulated by the 12th CPC Central Committee, the broad masses of our cadres should all adopt an overall point of view and overcome decentralism. It will be impossible to realize our strategic aim, and impossible for the nation to concentrate necessary financial and material forces to carry on key construction projects, if there is no unified management and dispatch of finance and economy, when each does things in his own way in the localities. Therefore, it is still necessary to persist in the fundamental principle of unifying management in finance and economy in the present and future economic construction. Guided by this principle, the localities will be given certain rights of maneuverability to bring their initiatives into play. Investment on important items and allocation of funds for key construction projects should all be listed in the national plan and be unified in dispatch; while all localities should strictly observe the disciplines of finance and economy. Small items not listed in the plan may be operated by the localities as a supplement to the plan. Only by doing so, will smooth progress of socialist modernized construction be guaranteed.

THE STRUGGLE TO STABILIZE MARKET PRICES IN SHANGHAI IN THE FIRST YEARS
AFTER LIBERATION

Beijing RED FLAG in Chinese No 8, 16 Apr 83 pp 46-48

[Article by Chen Junyan [7115 0193 6056]]

[Text] To unify finance and economy and market prices constituted one of the "three big battles" in the economic front in China in the early days of liberation. Victory in this battle became a foundation for basically improving the financial and economic situations in the country.

Shanghai was liberated on 27 May 1949. When the city was just liberated, it was plagued by many problems such as industrial and commercial bankruptcy, serious shortages of goods and materials, unstable prices and rampant profiteering activities. Rice reserves held by the people's government were just enough for 15 days, while reserves of coal and cotton could only meet needs for 7 days and about 30 days, respectively. Of the more than 13,000 private factories of the major 87 industries and trades, only 25.9 percent were operating, and under capacity. The national economy was yet to be rehabilitated, the war of liberation was still continuing, financial revenues and expenditures were unbalanced and the value of currency across the country was constantly dropping. Such difficult conditions were taken advantage of by the capitalist profiteering force to cause a chaotic situation in the financial and commodity markets, resulting in soaring prices.

The profiteering force in Shanghai was the result of the policy of inflation that was implemented by the KMT government for a long period. During the 12 years from June 1937 to May 1949, inflation in the areas under the control of the KMT increased by 144.5 billionfold, while prices increased by 36,000 billionfold. The four big monopoly capitalist groups of Chiang Kai-shek, T. V. Soong, H. H. Kung and Chen Li-fu made big profits from the inflation. But inflation brought sufferings to the laboring people and further deformed the structure of social economy. Those industrial and commercial sectors which practiced appropriate management and business could hardly keep their businesses going, while the organizations and trades which engaged in profiteering activities made profits. For example, the number of banks which closely dealt in speculation in the financial sector was less than 100 prior to the war against Japanese aggression; but

After the liberation, the number had increased to more than 200. Many of them continued in trading of bullion, foreign currencies, and securities, but they also participated in commodity speculation. In addition, there were bullion and securities trading companies, banks, money exchangers and underground banks and professional bullion and silver coin traders. And the number of people engaged in financial profiteering activities was as high as 200,000 to 300,000. The stock exchange building was the center for financial profiteering activities in Shanghai. In this building, hundreds of companies engaged in these activities with more than 1,000 telephones forming a telecommunications network with various profiteering points in the city and manipulating profiteering activities. The number of wholesale companies with close relations with commodity speculation organizations also increased considerably during this period. The situation in the cotton yarn and cotton fabrics trade showed that the number of yarn companies increased from 60 prior to the war against Japanese aggression to 56 on the eve of liberation, and the number of yarn brokers was 438; the number of cotton fabrics draper's shops increased from 201 to 2,371. There were 24 commodity exchange markets and more than 30 tea exchange markets and they all were used for profiteering activities. Because of the policy of inflation implemented by the KMT government, almost all big and small industrial and commercial enterprises were involved in profiteering activities.

Capitalist economy in China was mainly concentrated in Shanghai. Although a certain number of bureaucrat capitalist enterprises were taken over by us following liberation and the state socialist economy was formed, the capitalist economy still made up a very big proportion of the national economy. In 1949, capitalist industry made up 79.1 percent (excluding individual economy) of the gross industrial output value of the city, while capitalist commerce predominated over the total volume of commodity circulation. Under such condition, the profiteering force of the capitalist economy in Shanghai came to the fore. Taking advantage of the economic difficulties faced by the state, the capitalist profiteering force fanned the flames of disorder and pushed market prices in Shanghai into a chaotic situation of serious fluctuation. If prices were out of control, the whole situation would be affected. Consequently this situation drew the attention of the CPC Central Committee and party and government leading organs in Shanghai. Intrusted by the CPC Central Committee, Comrade Chen Yun went to Shanghai and in August 1949 held a national conference on financial and economic work, attended by responsible members from the five big regions. At this conference, we made a definite and concrete arrangement for the struggle to stabilize market prices. The struggle lasted for 10 months, from June 1949 to March 1950. Based on its key points and development, this struggle can be divided into two stages.

The key of the struggle during the first stage was to control price increases. The main targets of the struggle were to resist the impact of the profiteering force and grasp leadership over market so that prices might fluctuate within a certain extent and prevent vicious inflation. The important points in this struggle included the use of the strength of political power, coupled with grasping enough quantity of main goods and materials such as grain and cotton yarns.

On the second day of the liberation of Shanghai, the military control commission issued an order to use the Renminbi and prohibit the use of the currency issued by the KMT government and to exchange the currency with the Renminbi at a rate of 100,000 to 1. The exchange of the currency was completed smoothly because the KMT currency had no credit whatsoever and it was not in a position to prevent the Renminbi from entering the market. But the struggle began just several days later. The broad masses of people lost confidence in currency because they had earlier experienced vicious inflation during the period under KMT control and this psychological situation was taken advantage of by the profiteering force that consequently increased the price of silver coins, gold and the U.S. dollar to make market prices soar to an even higher level. In a matter of 13 days, from the day the city was liberated to 9 June, the price of silver coins, gold, the U.S. dollar and general commodities shot up. Prices in general increased by 2.7 fold, of which gold prices increased by 2.11 fold, silver coins 1.98 fold, rice 2.24 fold, and cotton yarn 1.49 fold. Silver coin dealers were very active while the speculative activities in gold and the U.S. dollar were rampant. The circulation of the Renminbi was almost replaced by the circulation of silver coins, gold and foreign currencies.

Under this condition, the party and government leading organizations in Shanghai decided to resort to administrative methods and crack down on monetary profiteering activities. Measures were taken to ban the free circulation of gold, silver, and foreign currencies, and instead they were exchanged by the People's Bank of China, with the money deposited in the bank. The stock exchange building, the center of profiteering activities, was sealed up, monetary speculative markets were banned and a number of profiteering manipulators were legally punished. Through these measures, gold, silver and foreign currencies were soon cleared from the circulation sector and their prices were no longer linked with commodity prices. The history of Shanghai markets being the world of the yellow (gold), white (silver), and green (U.S. dollar) came to an end and the state banks began to really grasp the right of leadership over the financial market.

Having met with setbacks in its financial profiteering activities, the profiteering force began to concentrate its profiteering activities in the so-called "two whites and one black," which referred to rice, cotton yarn and coal. Between July 1949 and February 1950, this force launched hectic price increases on three occasions.

The first hectic price increases were in July 1949. Cotton yarn was traded in the form of bank bills or as futures and was always an ideal medium for speculation. First of all, speculative businessmen spearheaded their activities in the cotton yarn market by increasing yarn prices and later turning to grain and coal, which were in short supply. In particular, beginning in the middle of July, speculative businessmen, in an attempt to cause panic and make grain prices soar still higher, took advantage of natural disasters in rural areas to spread the rumor that the rice reserves of the people's government were in short supply. As a result, in a matter of 6 days, 11-16 July, the price of rice increased by 96 percent. From 16 July, they again shifted their activities to the cotton yarn market.

Thus, through the circulative increasing of prices, they created chaotic market situations and caused market prices to soar. The general price index in Shanghai in July was more than 1 fold higher than in June.

In his speech at the financial and economic conference in Shanghai on 15 August, Comrade Chen Yun said: "Now the problem in Shanghai is that there is no rice and cotton, and the key question is that there is no transportation for transporting in rice and cotton." He directed that it was imperative for Shanghai to organize transportation in a big way, particularly waterway transportation. At the same time, battles were still continuing on the frontline, with heavy tasks placed on military transportation. But in order to guarantee the supply in the city, the central government made special arrangements for the transportation task of railways in east China. Thanks to tremendous efforts of various regions and hard work by the transportation front, the stock of grain and cotton in Shanghai gradually increased. With enough reserves, state trading companies regulated the relations between supply and demand by selling goods and materials in a big way. At the same time, industrial and commercial administrative departments readjusted and reformed the market trading system, uniform business hours and same day transactions, concentrated market trading, and established the system of transaction registration, and thus effectively strengthened control over market. Beginning in the second half of July, price increases tended to slow down.

The second hectic price increases were in November 1949. This period witnessed the most serious price increases and longest and tightest situation in Shanghai since the city was liberated. First of all, the prices of imported industrial raw materials and commodities such as hardware and chemical industrial products increased drastically, followed by soaring prices of cotton yarn in mid-October, while in November grain prices were also increased. During this period and taken as a whole, prices increased by 10 to 30 percent each day. Up to 25 November, prices in Shanghai were 326 percent higher than the first half of October. The price of cotton yarn increased 3.8 fold, cotton fabrics 3.5 fold, rice 3.3 fold, and imported industrial raw materials as well as hardware and industrial chemical products increased 5 to 6 fold. The reasons for the hectic price increases included a huge financial deficit and excessive currency supply. It was also because in the 2 months from August to September, prices in Shanghai were relatively stable. It meant that price level in Shanghai at that time was not in line with the situation of the supply of currency by the state and higher prices in other places. Under this situation, speculators in Shanghai purchased goods at lower prices and sold them at higher prices elsewhere. By that time, private financial organizations in Shanghai were yet to be reformed in an overall way and consequently they displayed a negative role in collecting and transferring funds for the purpose of profiteering.

When prices began to increase, financial and economic management departments in Shanghai tried to stop the increases by selling enormous goods and materials at low prices in the market, but without results. The situation showed that while prices were increasing across the country, it was impossible to solve the problem of price increases by relying on Shanghai alone in

selling goods at lower prices. The government then resorted to another principle. It stopped selling goods at lower prices and instead let official prices float at market prices so as to reserve strength. The financial committee, then under the leadership of Comrade Chen Yun, took measures to organize various big cities in transferring major goods and materials so as to make preparations to strike back. At the same time, prices in state trading companies at various places across the country were unified to eliminate the basic situation of the prices in Shanghai. Measures were also taken to strengthen financial and market control in the city, and a total of 26 underground banks were uncovered and a total of 140 companies with dishonored checks and inflated commercial credits were punished. On the basis of the completion of various preparations and under the leadership of the central finance committee, united action was taken by various places to sell goods in large quantities when market prices were high, and in a matter of 2 days, this measure was a serious blow to the profiteering force. From 26 November, prices in Shanghai and other places plummeted.

The third price increases were in February 1950. This time, price increases represented the last big trial of strength between the profiteering force and the socialist state economy. As agricultural production in China decreased in 1949, the profiteering force in Shanghai began buying grain in January 1950 and sold it at high prices as a move to make a breach and again increase prices. The wholesale price index in Shanghai in February was 46.2 percent higher than the previous month.

In order to prevent the recurrent hectic price increases, the central finance committee had made earlier preparations in December 1949 and transferred more than 700 million jin of grain to Shanghai from central-south, southwest and northeast China. In early 1950, measures were taken to transfer enormous quantities of grain across the country. It was then decided by Comrade Chen Yun that whatever the cost, efforts must be made to enable grain companies in Shanghai to have 400 million jin of rice in stock around Spring Festival time (equivalent to about 4 months' supply). Historically there was an old "law" of "increased prices after the Spring Festival" in Shanghai and speculative capitalists predicted that prices would no doubt increase following the Spring Festival in 1950. Consequently, they raised funds, purchased and stockpiled goods in preparation for a trial of strength again with the state economy when market reopened following the festival. But out of their expectation, the prices in the state companies remained the same as before the festival. And in addition, there was no limit in the supply of all major commodities such as grain, gauze and edible oil. At the beginning, the capitalists tried to wage a decisive battle and borrowed money from elsewhere and purchased grain and yarn for 3 successive days. But on the 4th day they could no longer do so; they decided to retreat and sell what they had purchased earlier; but there were no buyers and as a result, they found themselves in difficulties. Their money was borrowed from banks at high interest rates. They had calculated that they would make big profits once they sold their goods after they increased prices; but the results were contrary to their desire. Thus, faced with a predominating state economy, they could no longer manipulate markets, nor could they affect prices. On the other hand, through repeated

trials of strength, the state economy grew and gradually grasped leadership over the commodity market.

The key point in the struggle to stabilize market prices in the second stage was to basically eliminate the reason behind price increases. The main target was to balance financial expenditures and revenues in order to totally stabilize prices. The main measures included centralizing financial and economic management, concentrating financial and material force and avoiding dispersion and waste.

For new China, to put finance and economy under centralized management represented a basic measure for rehabilitating the national economy. It was also a basic measure to put an end to long period of price fluctuation in Shanghai and other places across the country. In the winter of 1949, the CPC Central Committee defined the principle for unifiedly managing finance and economy across the country. On 3 March 1950, the government administrative council issued a "decision on centralizing the state financial and economic work." The main contents of this decision were to change the dispersed management of the financial and economic system that was formed during the war and to realize the three centralizations: centralized state financial revenues and expenditures, centralized transfer of goods across the country, and centralized cash management across the country. At the same time, measures were also taken in financial and economic policies for finance departments to strengthen taxes and issue bonds, for state banks to recover loans and offer deposit services, and for state trading companies to sell goods in large quantities and control purchasing and investments. The main goals for the above-mentioned system reforms and policy measures included centralizing financial and management power, avoiding dispersion and waste, strengthening the controlling capability of macroscopic economy, balancing financial revenues and expenditures, and stabilizing market prices to create conditions for the national economy to enter a normal path for large-scale economic construction.

The party and government leadership and finance and economic departments in Shanghai resolutely implemented this important decision and policy measures of the CPC Central Committee. In their effort to balance state financial revenues and expenditures, the finance departments in Shanghai strengthened tax work through such methods as paying additional tax for stocked goods, checking accounts and democratic appraising. Measures were also taken to sell "People's Victory Bonds" and by the end of March 1950, more than 30 million bonds were purchased by people from various walks of life, surpassing the quotas defined by the state. The strengthening of tax work and the completion of the issuance of state bonds guaranteed state financial revenues. With regard to the management of goods, following the measures taken for the uniform transfer of goods across the country, the quantity of goods in the hands of state trading companies was in a position not only to supply and meet ordinary needs, but also to defeat profiteers. In April, the proportion of the rice sold by state trading companies in Shanghai in the wholesale market made up 56 percent of the total transaction volume; the proportion of cotton was as high as 89 percent, while the proportions of other commodities made up more than 1/3 to 1/2. With regard to cash

management, as the result of setting up of a trade treasury and the implementation of cash control, the volume of the currency absorbed by state banks in April was 6.5 times more than the figures in February. Currency circulation was drastically slowed down.

Thanks to unified financial and economic management by the CPC Central Committee and the implementation of the measures to tighten currency circulation, the national financial revenues and expenditures tended to balance. Most prices in Shanghai and other places in the country were completely stabilized after March 1950 and consequently this situation put an end to the history of inflation that lasted for 12 years and had caused serious damage to the people. It also meant a victory in the first big battle in economic front in the first years following liberation. Comrade Mao Zedong spoke highly of this victory and pointed out that the significance of this victory could well be matched with the Huaihai battle. This battle on the financial front was directed by Comrade Chen Yun. He proceeded from reality in the country at that time, resorted to Marxist economic theory according to specific conditions, analyzed and grasped in time the law of the changes of the circulation of commodities, and correctly combined administrative methods with economic methods. In particular, the theory he put forth during this period, that under the condition of a backward and poor economy it was necessary to concentrate financial and material power as quickly as possible and use them unifiedly, and the successful experience of this theory, are still of a great significance even today.

CSO: 4004/31

ESTABLISH SCIENTIFIC AND TECHNICAL AUTHORITY

Beijing RED FLAG in Chinese No 8, 16 Apr 83 inside back cover

[Article by Guan Weixun [1351 0251 0534]]

[Text] Fengyang County in Anhui has proposed to set up a system of regular meetings on science and technology at county level. All significant reform programs and new technical projects must be examined at regular meetings, whose aim is to "establish scientific and technical authority."

Modernization can never be carried out if we do not have any scientific knowledge. Leading departments can never give correct guidance if they do not possess the necessary scientific knowledge. Experience has proved repeatedly that the more favorable the situation and the more rapid the development, the more emphasis should be placed on knowledge and the more respect should be given to science, so that we can have correct response to, and judgment on, new situations and problems that will emerge during the course of modernization. Fengyang's system of regular meetings on science and technology has fulfilled this requirement. Through such meetings true professionals can freely express their opinions about subjects in which they are proficient and intellectuals who are expert in a special field of study can have a chance to participate in policymaking. Also, debates on feasibility can be opened before a major scientific and technical policy is adopted, so that only the best schemes will be chosen. Such meetings can, of course, help the leading group at county level gain knowledge about natural science.

According to Karl Marx: "Ignorance is a major force which we are afraid may bring forth more tragedies. No wonder the greatest Greek poet depicts ignorance as a fatal flaw in tragedies which are based on the kingdoms of Mycenae and Thebes." This is really an eternal truth. We need scientific knowledge to outdo the evil power of this fatal flaw. If we know how many organisms photosynthesis can produce per unit area and per unit time, and if we gain some basic agricultural and meteorological knowledge such as the efficiency and limit of photosynthesis in a chloroplast, we can tell what targets of yield per unit area can be achieved through hard work and what targets are unrealistic.

We have to follow the example of Fengyang in a bid to outdo the evil force of this tragic flaw, and to listen attentively to the scientists' views. A necessary system has to be established in order to serve this purpose.

CSO: 4004/33

LESSONS DRAWN FROM THE TUOBA NATIONALITY

Beijing RED FLAG in Chinese No 8, 16 Apr 83 inside back cover

[Article by Yi Xian [1355 7034]]

[Text] I remember Lu Xun once made a humorous comment: "The reason why monkeys still remain monkeys and cannot evolve into human beings is that they took the first one that stood up to be a heretic and they bit it to death. Unlike the monkeys, our ancestors could finally stand up and talk. That is why they could evolve from apes into human beings." Lu Xun's words contain profound truth. It was fortunate that apes did not possess the natural instinct or ability to punish heretics. Otherwise, mankind could not have existed.

In the Western Jin Dynasty, Prince Shamo, the eldest son of the Tuoba nationality's chief Liwei, made a grand tour to Luoyang. After returning to his fatherland, he shot down a flying bird with a catapult. The chiefs of various nationalities were frightened and said: "Oh, good gracious! He has learned the Jin's sorcery. He will destroy our old rules." So they killed him.

By all events, men should be cleverer than apes. However, men sometimes act more stupidly than apes. The stupid thing that the Tuoba nationality did is a very good lesson to learn.

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